

# **DANVILLE**

## **CITY GOVERNMENT**

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**"A WORLD CLASS  
ORGANIZATION"**

**FOR THE FISCAL YEAR  
JULY 1, 2004 TO JUNE 30, 2005**

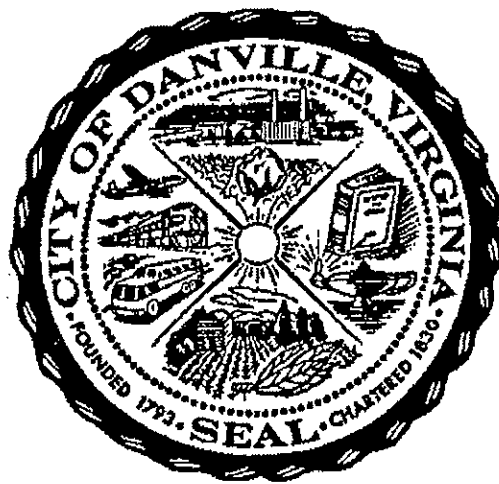




CITY OF DANVILLE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended  
June 30, 2005

Prepared by:

The Department of Finance



**City of Danville  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2005**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>I. INTRODUCTORY SECTION</b>	
Letter of Transmittal	2
Certificate of Achievement for Excellence	10
Organizational Chart	11
Official Directory-City	12
Official Directory-Danville Public Schools	13
 <b>II. FINANCIAL SECTION</b>	
Report of Independent Auditors	16
<b>A. MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	20
<b>B. FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Assets	38
Statement of Activities	39
<b>Fund Financial Statements</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet	40
Reconciliation of the Balance Sheet to the Statement of Net Assets	41
Statement of Revenues, Expenditures, and Changes in Fund Balances	42
Reconciliation of the Revenues, Expenditures to the Statement of Activities	43
<b>Enterprise Fund Financial Statements</b>	
Statement of Net Assets	44
Statement of Revenues, Expenses, and Changes in Fund Net Assets	45
Statement of Cash Flows	46
<b>Fiduciary Fund Financial Statements</b>	
Statement of Net Assets	48
Statement of Changes in Net Assets	49
<b>Component Units Financial Statements</b>	
Statement of Net Assets	50
Statement of Activities	51
<b>C. NOTES TO THE FINANCIAL STATEMENTS</b>	54

**City of Danville**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2005**

**Page**

**D. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**

Comparative Schedule of Revenues and Expenditures -	
Budget and Actual - General Fund	88
Notes to Required Supplementary Information	99

**E. OTHER SUPPLEMENTARY INFORMATION**

**Nonmajor Governmental Funds**

Balance Sheet	103
Statement of Revenues, Expenditures, and Changes in Fund Balance	104

**Nonmajor Enterprise Funds**

Combining Balance Sheet	106
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	107
Combining Statement of Cash Flows	108

**Internal Service Funds**

Combining Statement of Net Assets	110
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	111
Combining Statement of Cash Flows	112

**Capital Assets**

Schedule by Function and Activity	113
Schedule of Changes by Function and Activity	114
Schedule by Source	115

**III. STATISTICAL SECTION**

Government-wide Information	118
Statement of Legal Debt Margin	122
Debt History	122
Credit Rating	122
Legal Opinion on Indebtedness	122
Ratio of Bonded Debt to Assessed Values and Bonded Debt Per Capita -	
For the Last Ten Years	123
Ratio of Debt Service to Total General Fund Expenditures and Transfers -	
For the Last Ten Years	124
Comparative Statement of Bonded Debt - For the Last Ten Years	124
Debt Service Requirements-Based on Bonded Debt Obligations	
Outstanding at June 30, 2004	125
Debt Service Requirements-Based on Lease Revenue Obligations	
Outstanding at June 30, 2004	126
Schedule of Utility Revenue Bond Coverage - For the Last Ten Years	127
Schedule Concerning Real Property Tax Levies and Collections -	
For the Last Ten Years	128
Schedule Concerning Personal Property Tax Levies and Collections -	
For the Last Ten Years	129
Real Property Values, Construction, and Bank Deposits - For the Last Ten Years	130

**City of Danville  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2005**

<b>III. STATISTICAL SECTION (continued)</b>	<b><u>Page</u></b>
Schedule of Principal Real Estate Tax Payers	131
Schedule of Assessed Property Values - For the Last Ten Years	132
Schedule of General Fund Revenues and Other Sources - For the Last Ten Years	133
Schedule of General Fund Expenditures and Other Uses - For the Last Ten Years	133
Schedule of General Government Revenues and Other Sources - For the Last Ten Years	134
Schedule of General Government Expenditures and Other Uses - For the Last Ten Years	134
Demographic Statistics - For the Last Ten Years	135
Wastewater System-Summary of Operating Revenue - For the Last Ten Years	136
Wastewater System-Summary of Operations - For the Last Ten Years	136
Water System-Summary of Operating Revenue - For the Last Ten Years	137
Water System-Summary of Operations - For the Last Ten Years	137
Gas System-Summary of Operating Revenue - For the Last Ten Years	138
Gas System-Summary of Operations - For the Last Ten Years	138
Power and Light System-Summary of Operating Revenue - For the Last Ten Years	139
Power and Light System-Summary of Operations - For the Last Ten Years	139
Water System-Distribution System Statistics - For the Last Ten Years	140
Gas System-Distribution System Statistics - For The Last Ten Years	140
Water and Gas Systems-Distribution Statistics-Length of Pipe	141
Power and Light System-Distribution System Statistics - For the Last Ten Years	142
Schedule of Insurance Coverage (Excluding Danville Public Schools)	143
Danville Public Schools-Schedule of Insurance Coverage	144
Miscellaneous Statistics	145
 <b>IV. SINGLE AUDIT</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	148
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	149
Report on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts and Grants	151
Schedule of Expenditures of Federal Awards	153
Notes to Schedule of Expenditures of Federal Awards	156
Schedule of Findings and Questioned Costs	157





# INTRODUCTORY SECTION



# *City of Danville Virginia*

*"A World Class Organization"*

*November 23, 2005*

To the Honorable Mayor, Members of the City Council, and the Citizens of the City of Danville:

State law requires all local governments to file, annually with the Auditor of Public Accounts, a detailed statement prepared according to the Auditor's specifications showing the amount of revenues, expenditures, and fund balances of the locality for the preceding fiscal year, accompanied by the locality's audited financial report. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Danville for the fiscal year ended June 30, 2005.

The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the City of Danville. The financial reporting entity includes all of the funds of the City, as well as all of its component units for which the City is financially accountable. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Danville. All disclosures necessary to enable the reader to gain an understanding of the City of Danville's financial activities have been included.

Goodman and Company, licensed certified public accountants, has audited the City of Danville's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. Tests were made of the City's internal control structure and of its compliance with applicable laws and regulations. The audit of the financial statements of the City of Danville for the fiscal year ending June 30, 2005 disclosed no material internal control weaknesses or material violations of laws and regulations.

The City of Danville is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments of 1996, U. S. Office of Management and Budget's Circular A-133, and the specifications of *Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned cost are included in the single audit section of this report.

Governmental Accounting Standards Board Statement No. 34 requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The purpose of the transmittal letter is to compliment the MD&A and should be read in conjunction with it. The City's MD&A starts on page 20 of this report.

## **Profile of the Government**

The City of Danville was founded in 1793, chartered in 1830, and is located on the Dan River in the southern part of the state. The City covers an area of approximately 44 square miles and has a population of approximately 45,900.

A council-manager form of government operates the City of Danville. Policymaking and legislative authority is vested in the City Council, which consist of nine members including a mayor and vice-mayor. Council members are elected at large on a non-partisan basis to serve four-year terms. The elections are held biennially with five members being elected in one biennium and four in the next. Members of the council elect the mayor and vice-mayor from its membership. The City Council is responsible for passing ordinances, adopting the budget, appointing committee and board members, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of City Council, overseeing the day-to-day operations of the City, and appointing department heads.

The City provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities; and cultural events. In addition to the general government activities, the City provides mass transit, water and wastewater treatment, gas, and electric services. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position and results of operations and cash flows from those of the primary government. They are the Danville School Board, the Industrial Development Authority, and the Danville Development Council.

The City of Danville's annual budget serves as the foundation for financial planning and control. The object of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Departments are required to submit requests for appropriations to the Budget Director by mid-January of each year. The Budget Director uses these requests as a starting point for developing a work budget. The Budget Director then presents this work budget to the City Manager. Once the City Manager approves the work budget, he presents it to the City Council by April 1st for review and deliberation. After City Council's approval, an introduction budget is prepared and presented to them by May 1st. The introduction budget contains all of the changes and amendments made by the City Council during its budget workshops. It is the introduction budget that is submitted for public hearing. City Council is required to adopt a final budget by June 30th each year.

Activities of the General Fund are included in the annual appropriations budget. Project-length budgets are adopted for management control for the Enterprise and Internal Service Funds. The City Manager has the authority to transfer appropriations within funds. Inter-

fund transfers and appropriations from fund balance/net assets require City Council approval. The General Fund is the only governmental fund that has a legally adopted budget; therefore, a budget-to-actual comparison is provided.

## **Local Economy**

Danville is currently experiencing high unemployment rates (August 2005 – 10.8% down from 11.9% in July of 2004). Historically, Danville's economy has been based on textiles and tobacco. Both industries have suffered in recent years due to automation (textiles), health issues (tobacco), and globalization. Dan River Inc. (textiles) emerged from Chapter 11 Bankruptcy and continues to downsize employment. Additionally, Dimon Inc. (tobacco) and Diebold announced the closing of their Danville operations. Despite the negative impact of these losses, the City has made great strides with economic development.

Six years ago, the City eliminated economic development as a function of an outside agency and created a City Office of Economic Development under the direct oversight of the City Manager. Since that time, the City has taken an aggressive approach to attract new companies. Danville offers some of the most innovative incentives and business development programs in the nation to new and existing businesses. In addition, the City and Pittsylvania County built on their regional partnership to enhance economic development efforts targeted to both new and existing industries.

Over the previous 16 months, the City recruited over 2,634 new jobs. Some of the City's most recent success stories are:

- EIT announced it would be the first private sector tenant of the Cyber Park. This electronic manufacturing project will invest \$12.3 million and create 120 new jobs.
- TWM Cabling announced it would relocate headquarters and manufacturing operations to the City. This project represents a \$1.6 million investment and the creation of 50 jobs.
- Essel Propak announced it's third project in the City of Danville. This expansion involves the investment of \$15 million and the creation of 40 additional jobs.
- Yorktowne Cabinetry announced it would be the first private sector tenant of the Regional Industrial Park – Cane Creek Centre. Yorktowne will invest \$19 million and create 540 jobs in their 240,000 square foot facility.
- Boscov's Department Store announced the opening of its first Virginia store in Piedmont Mall. The opening in November will bring 300-350 retail jobs and a \$9 million investment.
- Hobby Lobby announced the opening of its first Virginia store in the former Lowes building near Piedmont Mall. The opening brings 50 additional retail jobs.
- Shorewood Packaging announced another expansion in the City of Danville. This expansion will be a \$10.4 million investment that facilitates the creation of 30 more jobs in the City.

- Nestle announced another expansion project – an investment of \$8 million and the creation of 50 jobs. The project brings the Nestle employment in Danville to 500.
- Knight-Celotex announced the purchase of the former Masonite facility. This project represents a \$1 million investment that will create 145 jobs.
- Columbia Flooring announced another series of expansions that will add 250 jobs and \$13.5 million investment.
- Telvista invested \$2.5 million to open its first Virginia operation, an inbound customer service center, in Danville. The center will create 500 new jobs in the area.
- Luna NanoWorks announced it would convert a vacant tobacco warehouse in the downtown area, through a \$6.5 million investment, into a bulk nanomaterials manufacturing facility. Luna will create 54 high tech jobs for the area and will position Danville on the cutting-edge of new technology.

The Institute for Advanced Learning & Research (IALR) officially opened in June 2004. The IALR represents a regional collaboration of the City of Danville, Pittsylvania County, The Future of the Piedmont Foundation, Averett University, Danville Community College, and Virginia Tech. The Institute serves as a catalyst for economic and community transformation through developing the technologies, human infrastructures, and capital necessary to participate in the innovation economy. Virginia Tech is committed to developing a handful of key research areas.

The IALR has received several awards and recognitions. Among these are:

- ◆ National finalist for a Best Practices award from the U.S. Small Business Administration's Office of Advocacy
- ◆ The 2005 Innovator award for the state of Virginia from the Southern Growth Policies Board
- ◆ An ARCHI-TECH award for audio-visual design and systems integration from the international InfoComm conference in Las Vegas
- ◆ One of three finalists for the U.S. Economic Development Administration's 2005 Excellence in Economic Development awards. The other two finalists were established programs in Los Angeles and Philadelphia.

The Institute also serves as a focal point for the development of regional information technology infrastructure and as a home for cutting-edge voice, data, video, and multimedia technologies. Virginia Tech, Averett University, and Danville Community College are committed to offering courses and programs of study at the Institute that focus on developing an innovative, high-tech workforce. More information on the Institute and the Danville Office of Economic Development Incentive Programs can be found at [www.discoverdanville.com](http://www.discoverdanville.com).



## **Long-term Financial Planning**

The City prepares a five-year Capital Improvements Plan (CIP), with the first year funding appropriated and the remaining four years for planning purposes only. Total projects included in the plan are as follows: General Fund Capital Improvements of \$7,051,000; Sewer and Wastewater Capital Improvements of \$1,020,000; Water Capital Improvements of \$900,000; Gas Capital Improvements of \$1,847,000; and Electric Capital Improvements of \$14,415,000.

A pay-as-you-go philosophy has been in effect since fiscal year 2001-2002; however, the 2005-2006 CIP includes the issuance of \$8,800,000 in General Obligation Bonds to fund four Electric Fund projects relating to economic development initiatives, including the Cane Creek Centre Industrial Park. Also, the Electric Fund includes \$1,373,000 from Virginia Department of Transportation for highway construction. An airport improvement project, including State and Federal funds in the amount of \$4,000,000, has been adopted in this plan; and Water and Gas projects related to the new Cane Creek Industrial Centre will be funded 100% with Contribution-in-Aid from Pittsylvania County in the amount of \$2,707,000.

A regional effort has resulted in the organization of the Danville-Pittsylvania Regional Industrial Facility Authority (Facility Authority). The Facility Authority has created an approximately 300-acre technology park anchored by the Institute for Advanced Learning and Research (IALR) and the Regional Center for Applied Technology and Training, (which officially opened on October 31, 2005). The park, called the Cyber Park, has state-of-the-art infrastructure for unparalleled reliability including a High Reliability Distribution System. The first private sector investment has been made in the Cyber Park. Ground was officially broken for EIT on September 14, 2005. EIT Inc. will produce lead-free circuit boards.

In 2005, the Facility Authority issued an additional \$7.3 million in revenue bonds to finance the construction of the Cane Creek Industrial Centre.

The Facility Authority is currently developing the Cane Creek Industrial Centre (formerly referred to as Danville/Pittsylvania County Regional Industrial Park). The Cane Creek pump station and force main construction is nearly complete with a target completion date of December 2005. This project is designed to provide an 800,000 gal/day total capacity, with 600,000 gal/day reserved for the new Cane Creek Centre. Sources of funds for this project are derived from a \$1,000,000 Special Project Tobacco Commission allocation, City and County annual Tobacco allocations, and Sewer Fund Balance.

Last year, the City of Danville completed Network Danville, a sophisticated fiber optic broadband network over which digital data, voice, and video signals can be transmitted from point to point in Danville at gigabit speeds, as well as to and from world-wide locations via the internet. The municipal area network is anchored at the eDan Multimedia Service Access Point (MSAP) located at the Galileo Magnet High School. Network Danville connects from there to MCI's high-tier national internet backbone. Fiber optic cables radiate from the MSAP to schools, municipal buildings and facilities, and utility infrastructure components at approximately 100 locations over a 70-mile route. Network Danville shares cabling with the Future of the Piedmont's "eDan" to the north and with the

Mid-Atlantic Broadband Coalition's "e58" to the east and west. Network Danville's funding came from the electric capital improvements fund and the Danville Public School System.

Network Danville is already being recognized with awards and positive national media coverage. While serving expanded municipal and school telecommunications needs, pilot projects are being undertaken to demonstrate potential commercial use of Network Danville.

Danville is also committed to preserving and increasing the quality of life for our citizens. The *Crossing at the Dan*, once a bustling Southern Railroad rail yard, has been transformed into educational, entertainment, and recreational facilities. This multi-phase project is located in the heart of the Tobacco Warehouse District and has quickly become Danville's destination location. The *Crossing at the Dan* features the Community Market, Danville Science Center Campus, Riverwalk Trail, Pepsi Building, and the Carrington Pavilion.

Substantial redevelopment projects are being undertaken in the downtown area that is comprised of the Downtown and Tobacco Warehouse Historic Districts. Downtown Danville, a VA Main Street Community, has seen tremendous success over the past 24 months. The Façade Program, a local incentive that matches dollar for dollar up to \$30,000 for façade renovations, is largely responsible for this renaissance and has become the catalyst for revitalization for both districts. Since January of 2004, more than \$2.3M of public/private investment has been made to downtown.

The Historic Murals of Danville program was developed over the last 12 months with the goal of filling a void of public art, instilling community pride, and stimulating the economy by drawing tourism into the downtown area. The program's inaugural mural, "The Old 97", will be located in the Downtown Historic District and will be completed by January '06. This first mural will commemorate "The Old 97" and pay homage to the men and women who lost their lives in Danville's renowned train wreck. Future murals will also be located in the Tobacco Warehouse District, creating a walking mural district for the community and for tourists. The Downtown Danville Association (DDA), a non-profit organization, will manage the program and be responsible for all fundraising efforts for the murals.

There are numerous local, state, and federal incentives available for businesses to locate or expand in the Downtown and Tobacco Warehouse Historic Districts. The City of Danville recently won an award for our Lease Back Program, a creative incentive given to absentee building owners for the renovation of their buildings. The Tobacco Warehouse District, through its incentives, is seeing a tremendous amount of redevelopment. The Dan River Crossing Apartments is this district's first venture into the residential market - featuring 74 apartment homes located in Danville's tourist destination, the *Crossing at the Dan*. To date, this project boasts a 94% occupancy rate.

The Utility Department has finished conducting rate studies for the City's Utilities as of April 2005. During the past eight years, the base rates for the City's Utilities have not been adjusted for fixed cost or inflation. The only adjustments to the utility rates had been for fluctuations in the commodity cost. With the completion of the study, new rates for all utilities were determined. The new rates became effective, on a tiered basis, in August of 2005 for City customers and September of 2005 for County customers.

Danville's contract for the purchase of electric power expires June 30, 2006. The City is currently evaluating several options to meet our electrical capacity needs, in order to provide the best service and rate to our customers. Utility rate increases will continue to be a concern for the upcoming year.

Under a five-year plan, the City plans for each utility fund to maintain a fund balance at 20% of revenues. This plan also calls for the utility funds to support the general fund by transferring 10% of revenues as general fund support.

The City utilizes natural gas price hedging during the winter months to stabilize the cost of gas that is charged to its citizens. Hedge contracts are used to lock in the price of gas at a price the City believes to be lower than the market price will be at the time the gas will be needed. During the year ended June 30, 2005, the City purchased contracts totaling \$7,930,000, of which they sold \$4,149,000. This sale created a gain of \$618,000 that was used to offset the cost of gas during the period. There were no outstanding hedge contracts at June 30, 2005.

### **Cash Management Policies and Practices**

Cash temporarily idle during the year (for all funds except the Employees' Retirement System and unexpended bond funds) is invested in U.S. Agency obligations and the Local Government Investment Pool, a pool administered by the State Treasurer. The maturities of the investments range from one day to five years. Unexpended bond funds are invested utilizing the State Non-Arbitrage Program administered by the State Treasurer.

### **Risk Management**

The City of Danville utilizes an Internal Service Insurance Fund to provide for payment of premiums, cost of self-insured claims, and to accumulate resource funds for catastrophic losses and future claims. The fund balance of the Insurance Fund at June 30, 2005 was \$3,944,853.

The City of Danville has coverage in force for the more significant risk areas with the exception of workers' compensation. The workers' compensation outstanding liability at June 30, 2005 was \$2,869,400. This is an increase of \$909,600 from June 30, 2004. The primary reason for this increase in liability is a review by our claims administrator, CompManagement, Inc. A revaluation of our long-term claims increased the reserve amounts for several cases. The City's general liability, automobile, public officials' liability, and law enforcement liability are provided through participation in the Virginia Municipal Liability Pool.

## **Pension and other Post Employment Benefits**

The City of Danville participates in two public employee retirement systems, the Employees' Retirement System of the City of Danville (ERS) and the Virginia Retirement System (VRS). The City makes all contributions to both plans.

ERS acts as an administrator of a single employee defined benefit pension plan. The ERS's Board of Trustees, based on actuarial estimates of future plan benefits to be paid, provides the contribution requirements for consideration by City Council. The majority of City employees are covered by ERS. Constitutional employees of the City and employees of the Danville School Board are covered by VRS.

Additional information concerning both retirement plans can be found in Note 11 of the Notes to the Financial Statements.

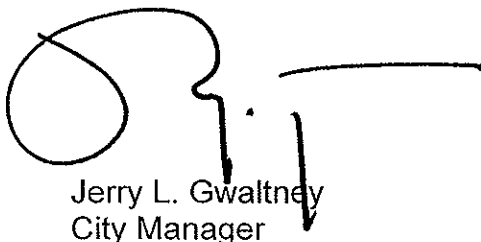
## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Danville for its Comprehensive Annual Financial Report (CAFR), for the fiscal year ended June 30, 2004. This was the nineteenth consecutive year the City of Danville has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

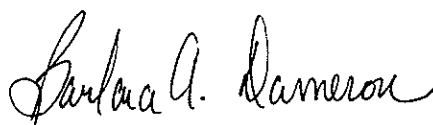
A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirement, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The timely preparation for this Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for their assistance and contributions in the preparation of this report. Credit must also be given to the leadership of the governing City Council and their support for maintaining sound financial management.

Respectfully submitted,



Jerry L. Gwaltney  
City Manager



Barbara A. Dameron  
Director of Finance



Michael L. Adkins  
Deputy Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Danville,  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



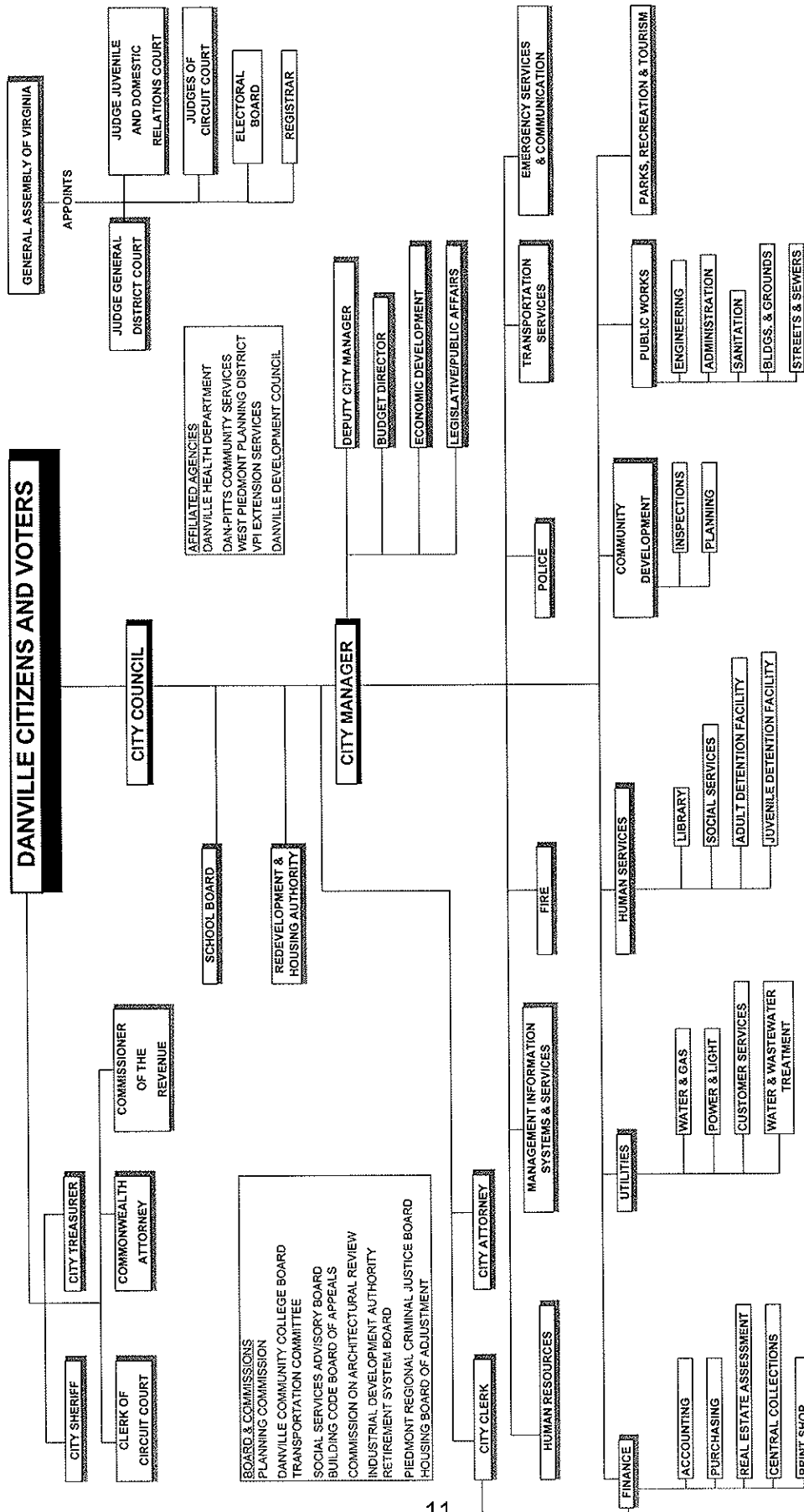
*Nancy L. Zeller*

President

*Jeffrey R. Emar*

Executive Director





**CITY OF DANVILLE**  
**OFFICIAL DIRECTORY**

**CITY COUNCIL**

John C. Hamlin  
Mayor  
  
Peter A. Castiglione  
  
Albert K. Rawley  
  
T. David Luther

R. Wayne Williams  
Vice Mayor  
  
E. Stokes Daniels, Jr.  
  
Sherman M. Saunders  
  
H. Phillip Smith

Ruby B. Archie

**LEGISLATIVE STAFF**

W. Clark Whitfield, Jr.  
  
Annette Y. Crane

City Attorney  
  
City Clerk

**ADMINISTRATIVE OFFICIALS**

Jerry L. Gwaltney  
M. Lyle Lacy, III  
Joseph C. King  
Cynthia L. Thomasson  
Ronald Bunch  
Marc D. Adelman  
Barbara A. Dameron  
Richard Drazenovich  
Gwendolyn M. Edwards  
Gerald L. Fischer  
Kerry L. Goode, Sr.  
B. G. Lewis, III  
Philip Broadfoot  
Andrea Witt  
Douglas R. Young  
John Gilstrap

City Manager  
Deputy City Manager  
Assistant City Manager for Utilities  
Budget Director  
Director of Economic Development  
Director of Transportation Services  
Director of Finance  
Director of Public Works  
Director of Human Services  
Director of Community Development  
Director of Information Technology  
Fire Chief  
Chief of Police  
Director of Human Resources  
Director of Emergency Services  
Director of Parks, Recreation, and Tourism

**CONSTITUTIONAL OFFICERS**

James E. Dooley  
William H. Fuller, III  
Gerald A. Gibson  
James M. Gillie  
Lynda K. McDowell

City Sheriff  
Commonwealth Attorney  
Clerk of Circuit Court  
Commissioner of the Revenue  
City Treasurer

## **SCHOOL OFFICIALS**

### **SCHOOL BOARD**

George M. Wilson  
Chairman

Malcom W. Huckabee

Edward C. Polhamus

Rebecca L. Bolton  
Vice Chairman

O. Renee' Hughes

Alonzo L. Jones

R. Helm Dobbins

### **ADMINISTRATIVE OFFICIALS**

Dr. Sue B. Davis

Dr. Kathy J. Osborne

Carrie H. Merricks

Juliet C. Jennings

Andrew W. Tyrrell

Superintendent

Assistant Superintendent for  
Administrative Services

Clerk of School Board

Assistant Superintendent for Human  
Resource Services

Assistant Superintendent for  
Instruction

## **EMPLOYEES' RETIREMENT SYSTEM OFFICIALS**

### **BOARD OF TRUSTEES**

#### City Employee Members

Carolyn B. Evans  
Chairman

Richard A. Johnson

David H. Patterson

#### Citizen Members

James A. Motley  
Retired,  
American National Bank

Edward B. Baucom  
Retired—Danville Regional Medical Center

E. Linwood Wright  
Dan River, Inc.

### **EX-OFFICIO MEMBERS**

H. Phillip Smith  
Mayor Designee

Jerry L. Gwaltney  
City Manager

Barbara A. Dameron  
Director of Finance



## FINANCIAL SECTION



## ***Report of Independent Auditors***

The Honorable Mayor and Members of the City Council  
***City of Danville, Virginia***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Danville, Virginia*** as of and for the year ended June 30, 2005, which collectively comprise the ***City of Danville, Virginia's*** basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***City of Danville, Virginia's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Danville, Virginia*** as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005 on our consideration of the ***City of Danville, Virginia's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the budgetary comparison schedules identified as Exhibits L and M in the Financial Section of the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the *City of Danville, Virginia's* basic financial statements. The information identified as Schedules 1 through 11 in the Other Supplementary Information section, Schedule 12 in the Single Audit Section, and the Statement of Legal Debt Margin in the Statistical Section of the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the *City of Danville, Virginia*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections of the report are presented for the purposes of additional analysis and are not required parts of the basic financial statements of the *City of Danville, Virginia*. Such additional information, except as described in the preceding paragraph, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Gordon & Company, LLP*

Danville, Virginia  
August 26, 2005



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Management's Discussion and Analysis**

The City of Danville, Virginia's (the "City") management presents this discussion and analysis for the purpose of: (a) assisting the reader in understanding significant financial issues, (b) providing an overview of the City's financial activity, and (c) identifying changes in the City's financial position. We encourage readers to read the transmittal letter, the basic financial statements, and the notes to the financial statements along with this discussion and analysis.

## **Financial Highlights**

### **Government-wide Financial Statements**

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$275,547,596 (total net assets - government-wide). Of this amount, \$73,606,059 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets of the City's business-type activities as of June 30, 2005 were \$208,271,169, an increase of \$9,133,752 from net assets of \$199,137,417 reported at June 30, 2004. Net assets of \$35,172,773 are reported as unrestricted, a \$13,443,151 reduction from unrestricted net assets reported at June 30, 2004.
- As of the close of the current fiscal year, the City's governmental activities for government-wide statements reported net assets of \$67,276,427, an increase of \$1,172,542 in comparison with the net assets of \$66,103,885 reported at June 30, 2004. Net assets of \$38,433,286 at June 30, 2005, are reported as unrestricted and available to meet the government's obligations to citizens and creditors.

### **Fund Financial Statements**

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$31,854,951, an increase of \$1,145,588 in comparison to the fund balance reported at June 30, 2004 of \$30,709,363. Sixty-five percent of the total fund balance at June 30, 2005, \$20,666,746, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$20,393,893, or twenty-five percent of total fund expenditures.

Fund statements utilize the current financial resource measurement focus and modified accrual basis of accounting, which focuses on transactions and events that effect the financial resources available for current spending during the period and reflect near-term inflows or outflows of cash. Government-wide statements use the economic resource measurement and accrual basis of accounting, which focuses on transactions and events that effect the fund's total economic resources; i.e., increase or decrease in net assets during the period regardless of the timing of the related cash inflows or outflows. Fund statements do not include capital or other long-term assets that are not available to finance current period expenditures nor do they include long-term liabilities that will not use current resources. These items must be added

(assets) or deducted (liabilities) to/from the fund balances of governmental funds to obtain the net assets of the governmental activities for government-wide reporting. In addition, the assets and liabilities of internal service funds are included in the governmental activities in the statement of activities, and the combined governmental fund balances from the fund financial statements must be adjusted accordingly. All of these factors add another \$35,421,476 to the combined balances of governmental funds when converting to net assets of governmental activities. The reconciliation presented on pages 41 and 43 of this report offer summarized details of the conversion from governmental fund statements to government-wide statements for governmental activities.

The combined fund balances of the governmental funds report an unreserved fund balance of \$20,666,746 and a reserved fund balance of \$11,188,205. Government-wide net assets for governmental activities report total restricted assets of \$7,250,187 and unrestricted net assets of \$38,433,286. The conversion from the unreserved fund balance to unrestricted net assets can be shown as follows:

Unreserved fund balance (fund statement)	\$ 20,666,746
Deferred revenue for fund statements no longer deferred for government-wide	10,829,268
Internal Service Funds noncapital assets merged into governmental activities for government-wide statements	3,995,201
Workers' compensation and other compensated absences	(1,808,598)
Encumbrances not restricted externally	3,987,781
Debt service payment from component unit - committed, but unpaid	<u>762,888</u>
Unrestricted net assets - per government-wide governmental activities	<u>\$ 38,433,286</u>

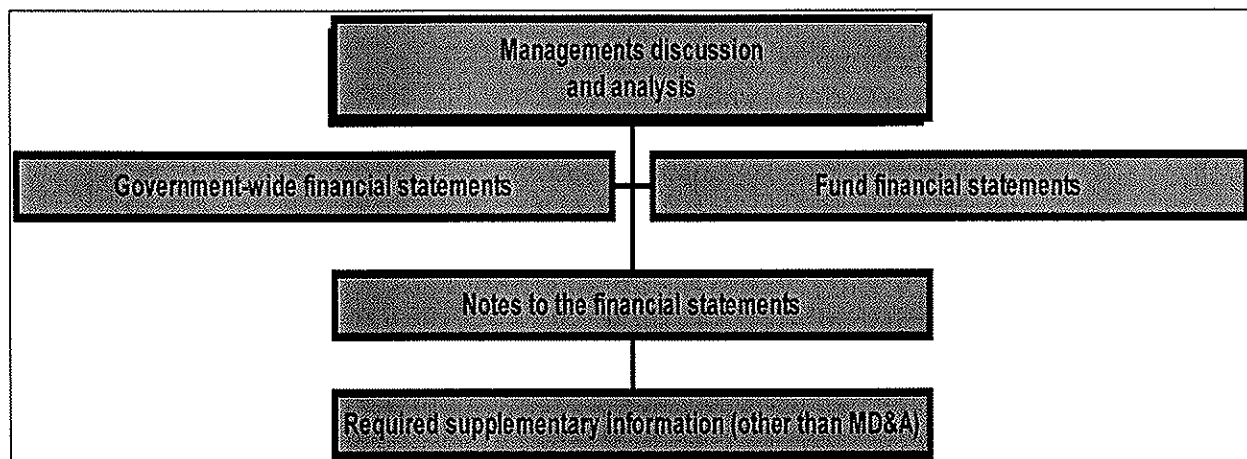
Likewise, the conversion from reserved fund balance to restricted net assets can be shown as follows:

Reserved fund balance (fund statement)	\$ 11,188,205
Reserved for Pension Assets	49,761
Encumbrances that do not meet GASB Statement 34 definition of restricted	<u>(3,987,779)</u>
Restricted net assets - governmental activities	<u>\$ 7,250,187</u>

The Statement of Net Assets - Enterprise Funds does not require a conversion to the Statement of Net Assets Government-wide reporting of Business-type Activities because enterprise funds already use the economic resource measurement focus and the accrual basis of accounting. From a management-reporting viewpoint, there are significant differences in the reporting of fund balance. These differences in reporting the composition of fund balance between the government-wide statements for business-type activities and the fund statements for enterprise funds are discussed in the Business-type Activities section of the Government-wide Financial Analysis discussion.

### **Overview of the Financial Statements**

The following is a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (a) management's discussion and analysis (MD&A), (b) government-wide financial statements, (c) fund financial statements, and (d) notes to the basic financial statements.



### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances using the accrual basis of accounting, similar to the accounting found in private sector businesses. Government-wide financial reporting consists of two statements: the Statement of Net Assets and the Statement of Activities.

### **The Statement of Net Assets**

The Statement of Net Assets presents information on all the City's assets and liabilities. The difference between assets and liabilities is reported as net assets. Net assets are presented in three categories: invested in capital assets – net of related debt, restricted, and unrestricted. Over time, the increases or decreases in the City's net assets can be an indicator as to whether the financial position of the City is improving or deteriorating. To accurately use changes in net assets as an indicator of the City's overall health, the underlying factors contributing to the increase or decrease must be analyzed, as well as other nonfinancial

factors (such as changes in the property tax base and the condition of infrastructure and other fixed assets).

### **The Statement of Activities**

The Statement of Activities presents information showing how the net assets changed during the year. As mentioned earlier, government-wide statements use the accrual basis of accounting. Therefore, changes in net assets are recognized when an underlying event occurs regardless of the timing of the related cash flow. As a result, revenues and expenses are reported in this statement for some items that will not impact cash flows until future fiscal periods.

In the Statement of Net Assets and the Statement of Activities, the City of Danville is divided into three types of activities:

**Governmental Funds** - Most of the City's basic services are reported here: Police, Fire, Economic Development, Recreation, Social Services, Community Development, and the General Administration. These activities are supported primarily by property taxes, other local taxes, state and federal grants, and contributions from the City's Utility Department (Wastewater, Water, Gas, and Electric).

**Business-Type Activities** - The City has seven business-type activities: (1) Wastewater, (2) Water, (3) Gas, (4) Electric, (5) Transportation, (6) Sanitation, and (7) Cemetery Operations. The City charges a fee to customers to cover all or most of the cost associated with providing these services.

**Component Units** - The City of Danville has two component units: (1) the Danville Public School System and (2) the Industrial Development Authority. While these represent legally separate entities, the City of Danville is financially accountable for them. These component units are combined and presented in a separate column on the government-wide statements to emphasize they are legally separate from the primary government.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Danville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. The City of Danville has three types of funds:

#### **Governmental Funds**

The Governmental Funds report essentially the same functions as the governmental activities in the government-wide financial statements. The governmental fund financial statements focus on the near-term cash inflows and outflows and the amount of spendable resources available at the end of the fiscal year. This information is useful when evaluating the City's near-term financing needs. Because the focus of the fund statements is narrower than that of the government-wide statements, it is useful to compare the information presented in both the fund and the government-wide



statements. A reconciliation from the fund statements to the government-wide statements is provided to facilitate this comparison.

The City of Danville maintains five individual governmental funds. Information is presented separately in the Balance Sheet-Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds for the General Fund, the Community Development Fund, and the Capital Projects Fund, these funds are considered major funds. The Special Revenue Fund and the Cemetery Maintenance Fund are considered nonmajor funds. The data for these two funds are combined in a single column for the Balance Sheet-Governmental Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Fund.

### **Enterprise Funds**

The City of Danville maintains two types of enterprise funds: (a) utility funds and (b) internal services funds. Utility funds are used to report the same functions as the business-type activities in the government-wide financial statements. Wastewater, Water, Gas, and Electric are presented on the statements individually as major funds. Transportation, Sanitation, and Cemetery Operations are combined as nonmajor funds. Utility funds are used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the cost of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost reimbursement basis. The City of Danville has three internal service funds providing services to other City departments as follows:

1. Motorized Equipment – acquires and maintains all vehicles used by the various departments of the City. The Fire Department purchases and maintains large equipment independent of motorized equipment.
2. Central Services – provides office supplies and printing services for all of the City's departments.
3. Insurance – provides general insurance coverage to all City departments, including areas such as workers' compensation where the City is completely self-insured, and insurance coverage purchased from outside insurance companies.

### **Fiduciary Funds**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the government's own programs. The City of Danville maintains one fiduciary fund, a Pension Trust Fund.

The Employees' Retirement System of the City of Danville functions as an investment and administrative agent for the City's retirement plan. These activities are excluded from the government-wide financial statements because the City cannot use these assets to finance its operations.

## **Notes to the financial statements**

The notes to the financial statements are an integral part of the statements and should be read in conjunction with the basic financial statements, management's discussion and analysis, and the other required supplementary information.

## **Government-wide Financial Analysis**

City of Danville Summary Statement of Net Assets June 30, 2005						
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	54,482,041	51,484,911	57,723,864	66,686,795	112,205,905	118,171,706
Capital Assets	71,724,397	75,488,618	197,051,003	183,312,110	268,775,400	258,800,728
Total Assets	<u>\$ 126,206,438</u>	<u>\$ 126,973,529</u>	<u>\$ 254,774,867</u>	<u>\$ 249,998,905</u>	<u>\$ 380,981,305</u>	<u>\$ 376,972,434</u>
Long-Term Liabilities Outstanding	51,940,041	55,237,426	39,158,502	42,918,535	91,098,543	98,155,961
Other Liabilities	6,989,970	5,632,218	7,345,196	7,942,953	14,335,166	13,575,171
	<u>\$ 58,930,011</u>	<u>\$ 60,869,644</u>	<u>\$ 46,503,698</u>	<u>\$ 50,861,488</u>	<u>\$ 105,433,709</u>	<u>\$ 111,731,132</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	21,592,954	20,589,644	158,570,378	141,102,057	180,163,332	161,691,701
Restricted for Capital Projects	2,943,849	1,346,660	14,528,018	9,419,436	17,471,867	10,766,096
Restricted for Special Programs	1,128,246	1,206,826	-	-	1,128,246	1,206,826
Restricted for Debt Service	697,894	688,607	-	-	697,894	688,607
Restricted - Other	2,480,198	2,911,573	-	-	2,480,198	2,911,573
Unrestricted	<u>38,433,286</u>	<u>39,360,575</u>	<u>35,172,773</u>	<u>48,615,924</u>	<u>73,606,059</u>	<u>87,976,499</u>
Total Net Assets	<u>\$ 67,276,427</u>	<u>\$ 66,103,885</u>	<u>\$ 208,271,169</u>	<u>\$ 199,137,417</u>	<u>\$ 275,547,596</u>	<u>\$ 265,241,302</u>

The City's combined net assets at June 30, 2005 of \$275,547,596, represents an increase of \$10,306,294 from combined net assets at June 30, 2004. Twenty-seven percent of total net assets (\$73,606,059) is unrestricted and available for providing services to the citizens of the City of Danville and satisfying creditors. Sixty-five percent of total net assets is invested in capital assets (land, buildings, machinery, and equipment), less any related outstanding debt used to acquire these assets. These assets are used in providing services to the citizens; consequently, these assets are not available for future spending. Although the City of Danville's investment in capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Six percent of total net assets is restricted for capital improvement projects. Invested in Capital Assets Net of Related Debt and restricted for Capital Projects combined represent seventy-two percent of total net assets. The remaining two percent of net assets (\$4,306,338) is restricted for other special projects (grants), debt service, net pension assets, and the perpetual care of the municipal cemetery. The composition of fund balance at June 30, 2004 was as follows: Unrestricted net assets - 33%, Invested in Capital Assets net of related debt - 61%, Restricted for Capital Projects - 4% (Invested in Capital Assets and Restricted for Capital Projects

combined - 65%), and the remaining 2% is restricted for other purposes. Despite the economic stresses locally, the City of Danville reported positive balances in all three categories of net assets for the government as a whole. Unrestricted fund balance declined, while fund balance restricted for investment in capital assets net of related debt and restricted for capital projects increased.

City of Danville  
Changes in Net Assets  
June 30, 2005

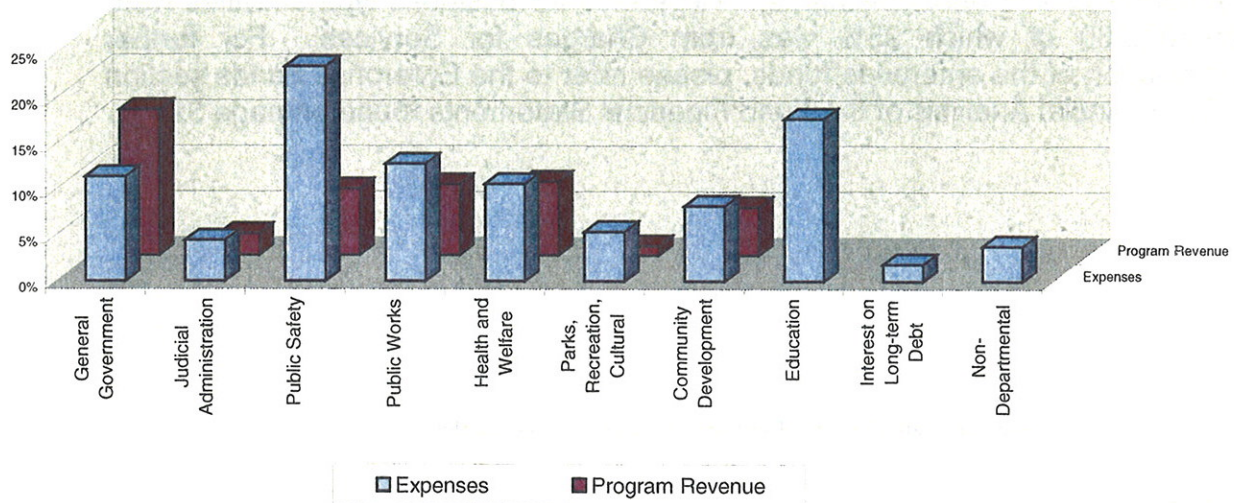
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,943,676	\$ 6,039,896	\$ 93,656,374	\$ 96,841,389	\$ 99,600,050	\$ 102,881,285
Operating Grants and Contributions	39,641,754	37,731,065	299,476	-	39,941,230	37,731,065
Capital Grants and Contributions	2,905,657	4,807,968	1,074,434	1,065,942	3,980,091	5,873,910
General Revenues:						
Real Estate and Personal Property	24,540,038	23,289,443	-	-	24,540,038	23,289,443
Other Taxes	14,317,172	13,591,769	-	-	14,317,172	13,591,769
Grants and Contributions not Restricted	-	-	-	-	-	-
Interest on Investments	758,666	104,591	1,471,314	78,404	2,229,980	182,995
Transfers	10,405,773	10,529,984	-	-	10,405,773	10,529,984
Miscellaneous	3,183,697	3,297,463	1,961,662	858,612	5,145,359	4,156,075
Total Revenues	\$ 101,696,433	\$ 99,392,179	\$ 98,463,260	\$ 98,844,347	\$ 200,159,693	\$ 198,236,526
Expenses:						
General Government	\$ 11,563,702	\$ 11,208,242	\$ -	\$ -	\$ 11,563,702	\$ 11,208,242
Judicial Administration	4,506,834	4,232,325	-	-	4,506,834	4,232,325
Public Safety	23,709,019	20,971,031	-	-	23,709,019	20,971,031
Public Works	12,961,903	10,129,695	-	-	12,961,903	10,129,695
Health and Welfare	10,751,310	10,589,382	-	-	10,751,310	10,589,382
Parks, Recreation, and Culture	5,456,588	5,621,196	-	-	5,456,588	5,621,196
Community Development	7,893,276	7,893,504	-	-	7,893,276	7,893,504
Education (payment to school district)	17,932,956	23,598,363	-	-	17,932,956	23,598,363
Interest on Long Term Debt	1,886,516	2,461,084	-	-	1,886,516	2,461,084
Non-Departmental	3,861,787	672,598	-	-	3,861,787	672,598
Wastewater	-	-	6,162,912	6,304,213	6,162,912	6,304,213
Water	-	-	4,545,575	4,204,395	4,545,575	4,204,395
Gas	-	-	22,305,387	22,667,165	22,305,387	22,667,165
Electric	-	-	41,008,206	40,030,479	41,008,206	40,030,479
Transportation	-	-	1,096,420	1,039,368	1,096,420	1,039,368
Sanitation	-	-	3,160,430	3,449,313	3,160,430	3,449,313
Cemetery Operations	-	-	644,805	-	644,805	-
Total Expenses	\$ 100,523,891	\$ 97,377,420	\$ 78,923,735	\$ 77,694,933	\$ 179,447,626	\$ 175,072,353
Subtotal Revenue over Expenses	\$ 1,172,542	\$ 2,014,759	\$ 19,539,525	\$ 21,149,414	\$ 20,712,067	\$ 23,164,173
Transfers	-	-	(10,405,773)	(10,529,984)	(10,405,773)	(10,529,984)
Increase (Decrease) in Net Assets	1,172,542	2,014,759	9,133,752	10,619,430	10,306,294	12,634,189
Beginning Net Assets	66,103,885	64,089,126	199,137,417	188,517,987	265,241,302	252,607,113
Ending Net Assets	\$ 67,276,427	\$ 66,103,885	\$ 208,271,169	\$ 199,137,417	\$ 275,547,596	\$ 265,241,302

## Governmental Activities

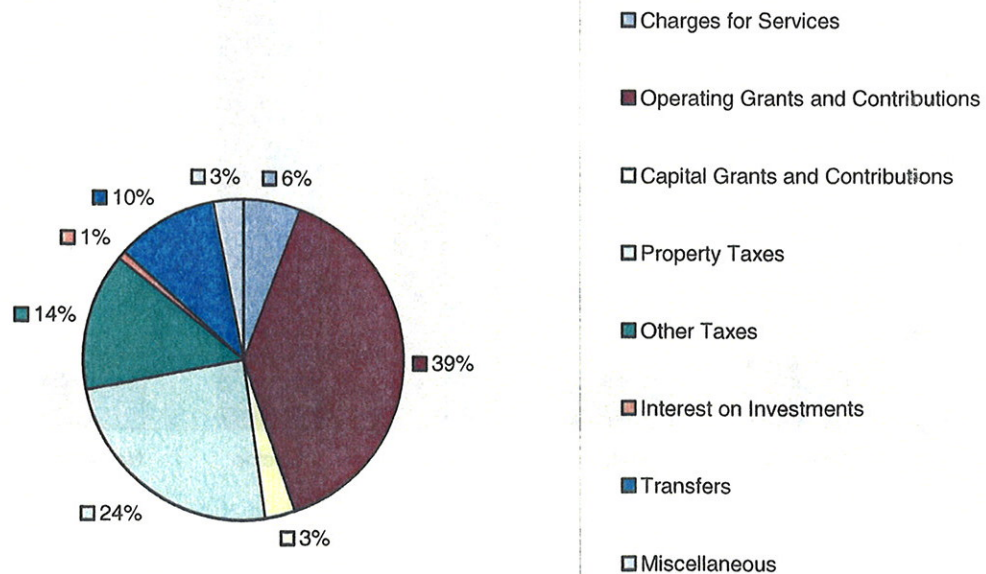
Governmental activities increased the City of Danville's net assets by \$1,172,542. Revenues from governmental activities totaled \$101,696,433, with Property Taxes 24%, Other Taxes 14%, Operating Grants and Contributions 39%, Capital Grants and Contributions 3%, and

Transfers 10%, representing 90% of the City's revenues. Expenses for governmental activities totaled \$100,954,036, of which 48% was supported from program revenues and the remaining 52% from general revenues. Expenses for Public Safety 23%, Education 18%, Health & Welfare 11%, General Government 11%, Public Works 13%, and Interest on Long-Term Debt 2% make-up 78% of the total governmental expenses.

**Expenses and Program Revenue - Governmental Activities**



**Revenue by Source - Governmental Activities**

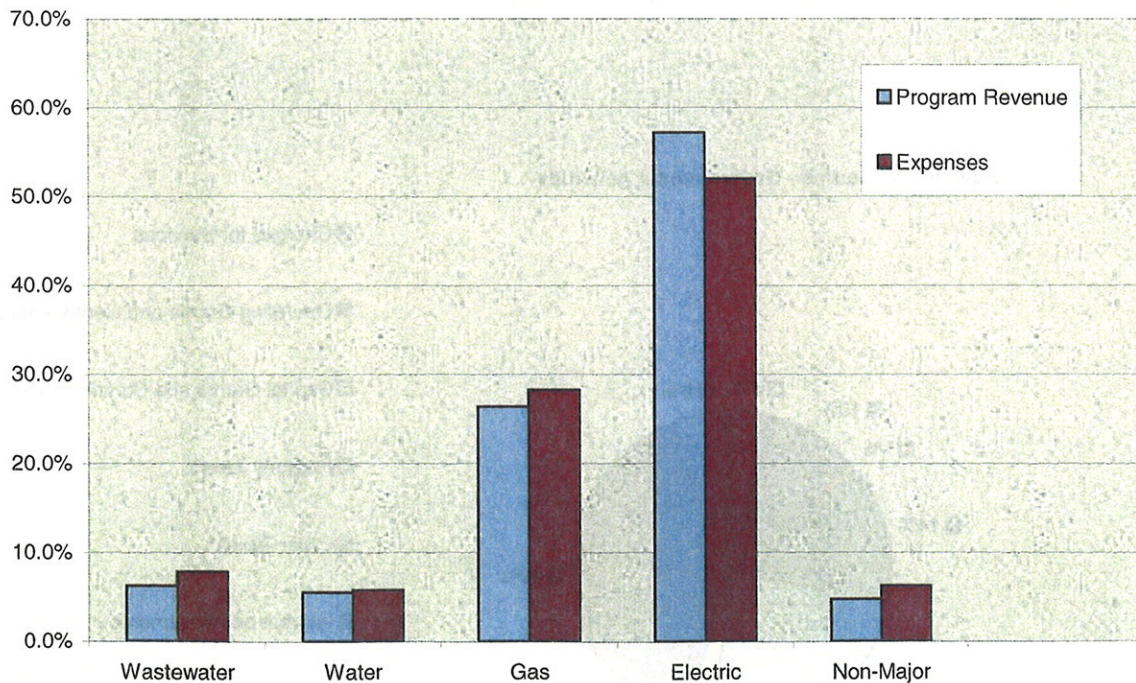




### **Business-type Activities**

Business-type activities increased the City's net assets by \$9,133,752 compared to last year's increase in net assets of \$10,619,430. At June 30, 2005, total net assets were \$208,271,169 of which \$14,528,018 was restricted for capital improvement projects and \$35,172,773 was unrestricted. GASB Statement 34 requires that restricted assets have external restrictions imposed (grantors, contributions, and debt covenants). Revenues for business-type activities were \$98,463,260 of which 95% was from Charges for Services. For further examination of the enterprise funds, please refer to the Enterprise Funds section of the Financial Analysis of the Fund Financial Statements found on page 32

**Expenses and Program Revenue - Business-type Activities**



## Financial Analysis of the Fund Financial Statements

### Governmental Funds

Governmental funds reported combined ending fund balance of \$31,854,951, an increase of \$1,145,538 when compared with the combined fund balance at June 30, 2004 of \$30,709,413. The Construction in Progress (CIP) fund balance increased \$312,329. Of the \$9,354,296 expended in the CIP fund, \$1,600,000 was paid to Industrial Development Authority (IDA) for economic development, \$827,793 for community development, and \$3,895,114 was paid out in other economic development incentives. Grant funds of \$437,825 were expended for repayment of debt for school renovations, and \$869,573 was expended on Integrated Financial Administration Software Phase I, of which \$602,138 was a contribution-in-aid from the Water and Electric funds. \$906,740 was expended for improvements to various public buildings and facilities.

Sixty-five percent (\$20,666,746) of the combined governmental funds balance is unreserved fund balance, which is available for spending at the government's discretion. The remaining thirty-five percent (\$11,188,205) of combined fund balance is reserved and not available for new spending, because it has already been committed to encumbrances (\$2,200,787); perpetual care of the municipal cemetery (\$2,430,437); debt service (\$697,894); and specific projects (\$5,859,087).

The General Fund, which is the chief operating fund of the City, reports a combined fund balance at June 30, 2005 of \$24,245,597. This is an increase of \$766,928 compared to last year's fund balance of \$23,478,669. The General Fund reported an unreserved fund balance of \$20,393,893, a decrease of \$607,874 from the June 30, 2004 unreserved fund balance of \$21,001,767. The ability of the General Fund to generate cash on demand can be calculated by comparing both the unreserved fund balance and total fund balance to total funds expended. Unreserved fund balance represents 25% of total General Fund expenditures while total fund balance represents 30% of total fund expenditures. When transfers out of \$6,224,132 are added to expenditures, then unreserved fund balance is 23% percent of expenditures and transfers out. The following table represents General Fund support:

Support of CIP Projects	\$5,222,500
Support of Grants	860,024
Support of Transportation	141,608

The increase in fund balance of \$766,928 resulted from \$4,045,175 unexpended budget and prior year encumbrances; \$269,124 unrealized revenue; and \$3,009,123 supplemental appropriations from fund balance.

Some key factors of unexpended appropriations are as follows:

- City Support of Public Schools had an unencumbered/unexpended balance of \$1,633,583. This amount is reserved as a carryforward in the 2005/2006 fiscal year.
- Health and Welfare expenditures were \$356,204 under estimated budget. This was because Social Services and Welfare Reform expenditures were less than budget.

These two divisions are supported by state funding; therefore, expenditures are based on funding from the state.

- Nondepartmental spending was under budget by \$875,168 primarily related to the City's cost of health benefits for employees and debt service.
- Public Safety expenditures were under budget by \$781,770. This was mainly due to an increase in funding from state and federal forfeited property.
- Public Works spending was also under budget by \$558,111. This savings was realized through various repairs and maintenance jobs performed throughout the fiscal year.

Some key factors of unrealized revenue are as follows:

- Unrealized revenues in Local Taxes, Fines and Forfeitures, and Charges for Services contributed to the negative variance, but were somewhat offset by surplus revenues in General Property Taxes, Recoveries, and Interest Income.
- General Property Tax collections were \$142,338 over budget. The primary components of this variance exist in the following areas:

Real Estate	\$669,504
Personal Property	(402,460)
Machinery and Tools	(228,379)
Penalties & Interest	135,832

- Real Estate and Penalties and Interest realized additional revenues due to increased efforts to collect delinquent taxes. A small portion of the decrease in Personal Property Taxes could relate to the second half of the January 2004 assessment, which was reduced as a result of value changes made by the National Automobile Dealers Association (NADA). The majority of the decrease appears to represent a decline in collections. The shortfall in Machinery and Tools reflects the second half of the 2004 tax assessment that remains uncollected from Dan River, Inc.
- Other Local Taxes were under the estimated budget of \$21,816,778 by \$558,311. Local Sales Taxes were collected at 99.9% of budget, Business Licenses were collected at 105% of budget, Hotel Taxes were at 99.8% of budget, and Prepared Meals Tax collections were also on target at 99% of budget. Areas contributing to the shortfall include:

Consumer Utility Tax	\$(187,116)
Cable TV Franchise	(185,108)
E911 Telephone Tax	(139,060)
Wireless/Telephone Tax	(95,872)

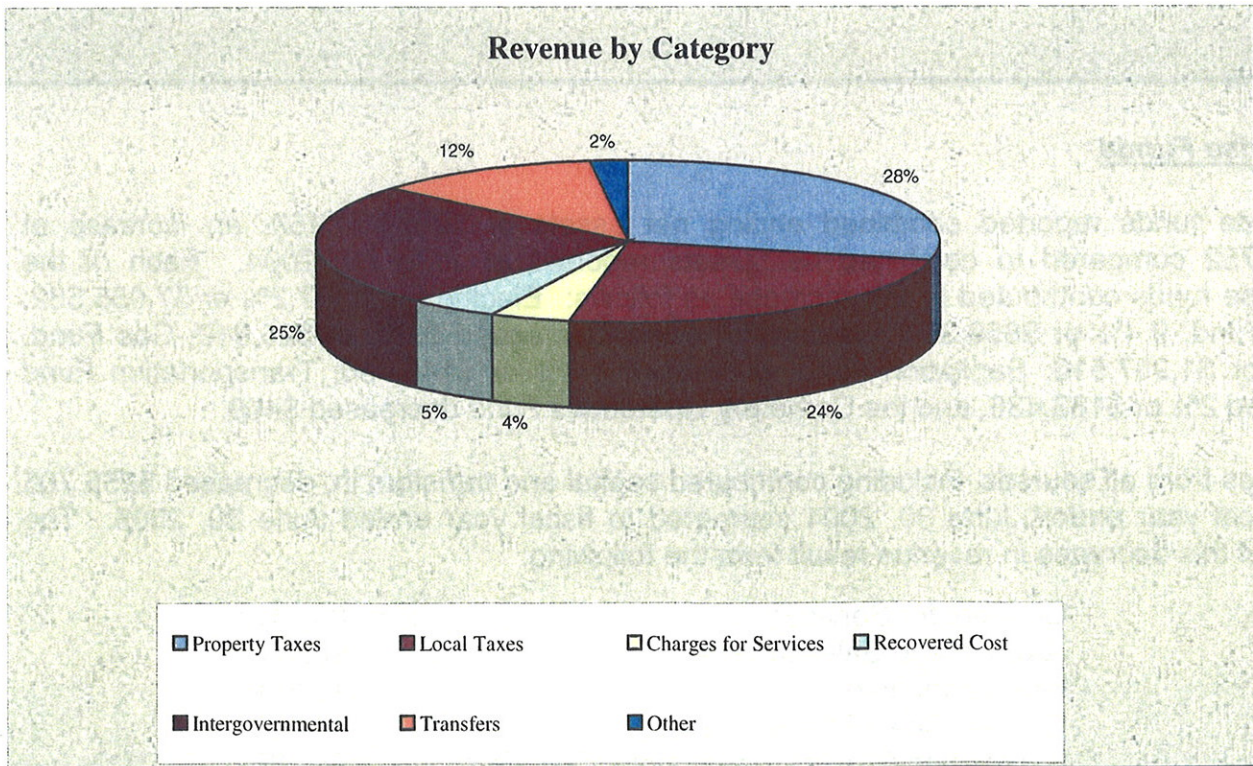
- Only \$430,796 of the \$687,095 budgeted Fines and Forfeitures were collected this year - producing a negative variance of \$256,299. The majority of this shortage (\$141,582) was a result of decreased court fines in the General District Court. Collections from Jail Room and Board Fees were under budget by \$51,824. Parking Tickets also contributed



to this variance with collections being \$33,110 under budget. The Jail Room and Board Fee was a new revenue item and future budgeted receipts should be more accurate.

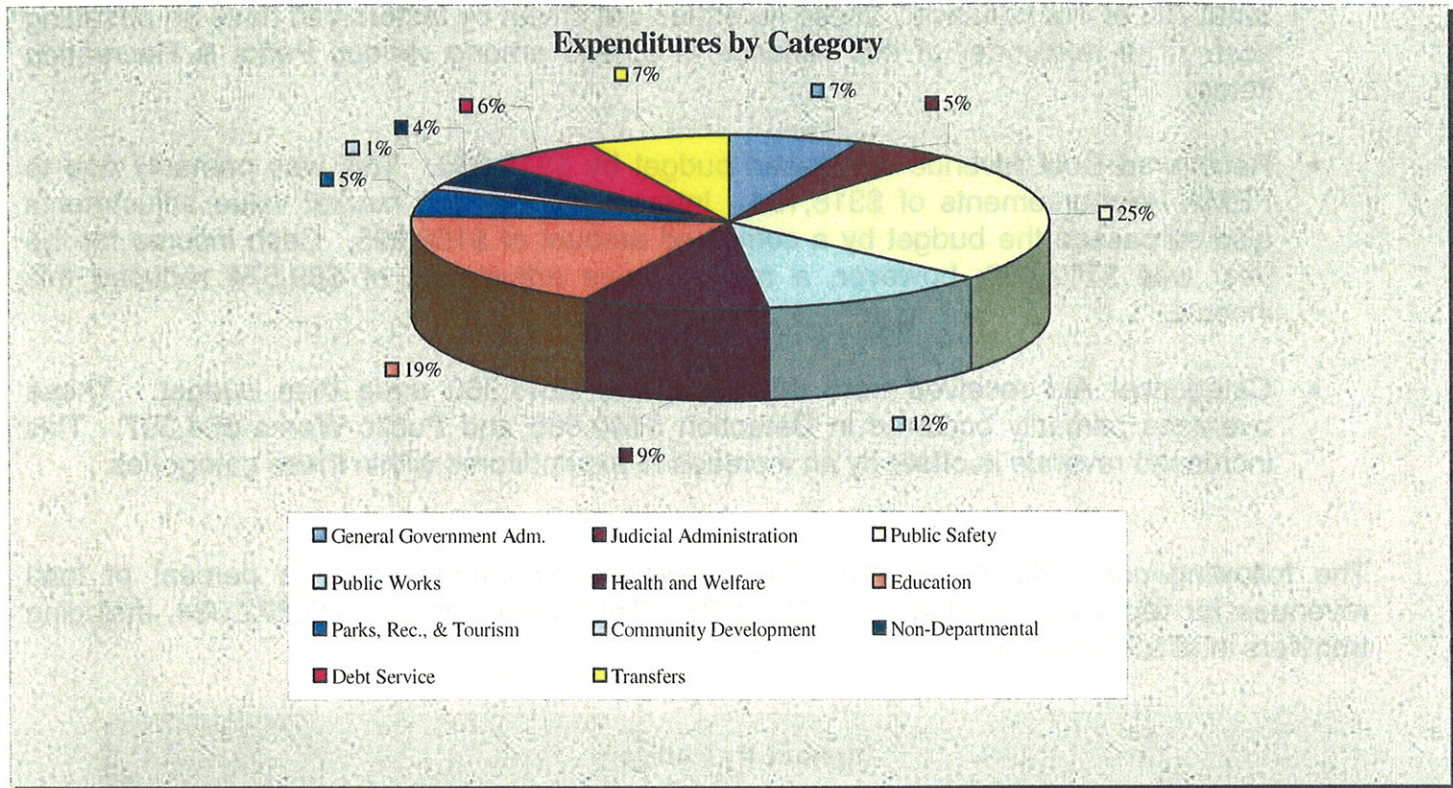
- Charges for Services fell short of budget by \$402,208. Detention charges account for \$280,796 of this variance. These revenues are driven by factors that have an offsetting cost. The remainder of this variance is spread among various Parks & Recreation items.
- Recovered Cost revenue surpassed budget by \$316,330. This was primarily due to FEMA reimbursements of \$318,184. Interest Income and market value adjustments also surpassed the budget by a combined amount of \$162,895. Cash income for the year was \$702,469; however, a market value adjustment of \$89,574 reduced this income.
- Categorical Aid received from the state was \$246,360 more than budget. These overages primarily occurred in Detention \$140,685 and Public Works \$94,397. This increased revenue is offset by an increase in expenditures within these categories.

The following graph depicts General Fund revenue by categories as a percent of total revenues for fiscal year ending June 30, 2005. Total revenues are \$87,872,084, including transfers in of \$10,985,895.





The next graph shows General Fund expenditures by category as a percent of total expenditures for fiscal year ending June 30, 2004. Total expenditures are \$87,105,206, including transfers out of \$6,224,132.



### **Enterprise Funds**

Enterprise funds reported combined ending net assets of \$208,271,169; an increase of \$9,133,752 compared to combined net assets reported at June 30, 2004. Each of the enterprise funds contributed to this increase as follows: Electric Fund, 77.2% or \$7,055,552; Water Fund, 9.4% or \$859,369; Wastewater Fund, decreased 0.2% or \$25,910; Gas Fund, 13.2% or \$1,207,510; Sanitation Fund, decreased 1.6% or \$145,736; Transportation Fund increased 2% or \$183,436; and the Cemetery Operations Fund decreased \$469.

Revenues from all sources, including contributed capital and transfers in, decreased \$255,705 from fiscal year ended June 30, 2004 compared to fiscal year ended June 30, 2005. The details of this decrease in revenue result from the following:

Charges for Services	\$(3,185,015)
Jobbing and Sales Income	780,800
Interest Income	1,410,314
Gain on Sale of Fixed Assets	144,008
Recoveries/Grants/Contributions/Transfers	594,188

Charges for Services decreased in the Gas Fund \$787,475. Electric Charges for Services decreased \$1,750,694. The Wastewater and Water departments had a combined decrease of \$1,007,048 and Nonmajor Funds (Transportation and Sanitation) increased \$360,202. The

decrease in the Gas Fund is due to a decrease in consumption during our milder winter. As a result of the decrease in Charges for Services, the Gas Fund operating income decreased \$437,016 compared to last year. The Electric Fund's decrease is also primarily due to a decrease in kilowatt-hour sales in our warmer winter. The decrease in the Wastewater and Water Funds is due to a decrease in demand for wastewater and water services resulting from the recent plant closures. The majority of increase in operating expenses of \$1,377,078 resulted from an increase in Depreciation, within the Electric Fund (\$1,372,234) for generators and other infrastructure improvements

The Utilities contributed \$10,685,895 in transfers to the General Fund for fiscal year ending June 30, 2005. Enterprise Funds' net assets of \$208,271,169 include \$35,172,773 unrestricted, \$14,528,018 restricted for incomplete projects, and \$158,570,378 invested in capital assets, net of related debt. The statements also reflect a decrease in the market value of investments in the amount of \$228,254.

### **General Budgetary Highlights**

Differences between the City's original operating budget and the final amended budget resulted in additional appropriations totaling \$3,640,763. \$631,640 had matching revenues and \$3,009,123 was funded from fund balance, as represented in the table below:

#### Appropriations with matching revenue:

Transfer from Insurance Fund for Workers' Compensation	\$300,000
Police – Forfeited Funds	76,655
VJCCCA Grant	52,346
Juvenile Detention – Electronic Monitoring	60,033
State Compensation Board Reimbursement	2,833
Emergency Medical Services Grant	4,750
Project Lifesaver	4,450
Public Safety Grants & Donations	25,482
Tornado Damage to GW High School	105,091

#### Appropriations from fund balance:

Economic Development Incentives	\$1,381,500
Industrial Development Authority	1,600,000
Enterprise Zone Local Jobs Grant	27,623

### **Capital Assets and Debt Administration**

#### **Capital Assets**

As of June 30, 2005, the City of Danville's capital assets investment for its governmental and business-type activities amounts to \$268,775,400 (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities,

roads, highways, and bridges. For further analysis of capital assets, please refer to note 5 for notes to financial statement found on page 67.

Major capital asset events during the current fiscal year included the following:

- Implementation of financial software, at the end of June 30, 2005, had expenditures of \$3,524,106. Contributions from the Water Fund and the Electric Fund were \$374,004 and \$2,125,972 respectively with the remaining funds coming from General Fund. Phase I of this project included the implementation of general ledger, budgeting, and payroll. Phase I is substantially complete and Phase II is expected to begin by January 2006.
- Economic development incentives totaling \$4,525,000 were granted to the Industrial Development Authority, Columbia Flooring, Knight-Celotex, Nestle, Yorktowne Cabinetry, and TWM Cabling. \$1,800,000 was from Governor Opportunity Funds. The remaining \$2,725,000 came from General Fund balance.
- Construction and development of the Cyber Park was completed this fiscal year. At the end of June 30, 2005, expenditures for this project totaled over \$24 million. These expenditures were for construction of the Institute for Advanced Learning Facility, road, sewer, gas and electric lines, and debt repayment. Ground was also broken, and construction begun, on the Research Addition building located behind the main facility. EIT, a Northern Virginia based firm, will open a 30,000 square foot production facility. EIT will be the first private sector firm to locate in the Cyber Park.
- Capital Improvements for the Water Fund amounted to \$6,274,565. Improvements to the Water Treatment Facility amounted to \$4,161,056 and the remaining \$2,113,509 was spread among various Capital Improvement projects.
- Broadband project in the Electric Fund at June 30, 2005 had expenditures of \$2,075,184. This project has a budget of \$2,500,000.
- Pinnacles Pipeline replacements and Peak Shaving Generator totaled \$6,827,987 and \$1,136,803, respectively.

City of Danville Capital Assets (net of depreciation) June 30, 2005			
	Governmental Activities	Business-type Activities	Total
Land	\$ 6,712,815	\$ 1,225,587	\$ 7,938,402
Building & Improvements	22,957,932	135,657,930	158,615,862
Machinery & Equipment	2,432,849	28,212,169	30,645,018
Infrastructure	13,708,477	-	13,708,477
Construction in Progress	2,858,183	31,955,317	34,813,500
Subtotal	48,670,256	197,051,003	245,721,259
Assets Transferred from School Board	23,054,141	-	23,054,141
Total	\$ 71,724,397	\$ 197,051,003	\$ 268,775,400



### Long-term debt

At the end of the current fiscal year, the City of Danville had total outstanding general obligation and revenue bonded debt of \$74,418,855, lease revenue bonded debt of \$11,841,989, and Section 108 debt of \$800,000 for a total of \$87,060,844.

	City of Danville's Outstanding Debt Bonds and Related Loans					
	Governmental Activities		Business-type Activities		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
General Obligation Bonds	\$ 35,666,774	\$ 39,134,900	\$ 31,770,452	\$ 35,216,121	\$ 67,437,226	\$ 74,351,021
Revenue Bonds			6,981,629	7,628,686	6,981,629	7,628,686
Lease Revenue Bonds	11,841,989	12,622,936	-	-	11,841,989	12,622,936
Capital Lease Obligations-Equip.	-	45,718	-	-	-	45,718
Section 108	800,000	1,000,000	-	-	800,000	1,000,000
Total	<u>\$ 48,308,763</u>	<u>\$ 52,803,554</u>	<u>\$ 38,752,081</u>	<u>\$ 42,844,806</u>	<u>\$ 87,060,844</u>	<u>\$ 95,648,361</u>

The Section 108 Loan was solely for the development of the Riverview Industrial Park and is being repaid with Community Development Block Grant Entitlement money. The lease-revenue bonds cover three items: (1) addition and renovation to the courts and jail, (2) expansion of the juvenile detention home, and (3) renovation of the Social Services building, which houses the social services departments.

During the 2004-2005 fiscal year, the City made principal payments of \$8,587,517. No new issue of debt and no refunding occurred during the fiscal year.

At the time of the City's last bond rating review, we received an "A3" rating from Moody's for general obligation and revenue bond debt. The City of Danville's debt management policy states total general obligation net debt will not exceed 7.5% of the assessed valuation of the real property in the City of Danville, which is less than the 10% debt limit required by the State Constitution. At June 30, 2005, net debt for the City of Danville was 3.11%.

Additional information on the City of Danville's long-term debt can be found in note 7 on page 73 of this report.

### Economic Factors and Next Year's Budget and Rates

- As of September 30, 2005, the average unemployment rate for the City of Danville was 11.6 percent, which is an increase from a rate of 8.5 percent at September 30, 2004. This compares to the state's average unemployment rate of 3.5 percent and the national average rate of 4.8 percent.
- Danville witnessed the return of double-digit unemployment by the end of the 2004-05 fiscal year, and experienced numerous permanent layoffs primarily related to closings at Dan River, Inc., DIMON, and Diebold. Danville is rebuilding itself with essential steps towards biotechnology; air- and land-based robotics research, nanotechnology, aerospace, engineering, and advanced polymers research. The goal of the City of

Danville is to shift from a traditional agricultural- and textile-dependent economy to a knowledge-based economy.

- Danville continues to make excellent strides in its fight against unemployment. In the past 16 months, the city has recruited approximately 2,634 new jobs.
- Beginning July 1, 2006, management anticipates another increase in the utility rates for electric services charged to its consumers. There is no expectation of increasing tax rates at this time for fiscal year 2006-2007. Council must approve all tax and rate increases recommended by management. For a more detailed discussion concerning the utility rates, please refer to the Long-term Financial Planning section of the Transmittal letter found on page 6.
- Danville has an estimated population of 45,900, based on the 2000 census.
- Danville has a per capita income of \$21,280. The State per capita income is \$32,676.
- Danville is located in the southern region of the United States. According to the consumer price index, Danville and the southern region have a lower cost of living compared to other regions in the United States.

Primary revenue sources for the City's General Fund are property taxes, sales taxes, business and occupational licenses, meals taxes, state revenues, and contributions from the City's Utility Departments. In establishing the budget, historical and trend data are analyzed. In addition to analyzing historical data, economic indicators and the impact the economy will have on the historical data is taken into consideration. Throughout the year, management monitors revenues and economic indicators to determine if they are on target with the analysis used to develop the budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Danville's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Danville, Director of Finance, 427 Patton Street, Danville, Virginia 24541.

# FINANCIAL STATEMENTS

## STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and investments				
Restricted - permanently	\$ 82,084	\$ 13,896,195	\$ 13,978,279	\$ 177,314
Unrestricted	32,040,572	32,348,425	64,388,997	2,305,638
Cash and investments - held by fiscal agents	762,884	14,000	776,884	269,077
Receivables - net	13,348,278	8,279,961	21,628,239	118,455
Due from business-type activities	443,586	-	443,586	-
Due from the City	-	-	-	999,348
Due from other governments	7,308,286	646,475	7,954,761	3,081,360
Prepayments	93,948	-	93,948	94,960
Inventories	352,642	1,870,759	2,223,401	739,358
Pension asset	49,761	668,049	717,810	-
Capital assets:				
Land and Construction in Progress	9,570,998	33,180,904	42,751,902	4,880,680
Other capital assets - net	62,153,399	163,870,099	226,023,498	15,117,420
<b>Total assets</b>	<b>126,206,438</b>	<b>254,774,867</b>	<b>380,981,305</b>	<b>27,783,610</b>
LIABILITIES				
Accounts payable	4,195,813	4,347,443	8,543,256	579,723
Accrued salaries	114,415	-	114,415	3,264,086
Accrued payroll taxes	-	-	-	249,401
Accrued interest	327,319	580,696	908,015	-
Accrued expenses	-	-	-	53,782
Loan escrow	227,514	-	227,514	-
Due to component unit	999,348	-	999,348	-
Due to primary government	-	443,586	443,586	-
Due to other governments	172,549	-	172,549	-
Refundable deposits	258,407	1,961,843	2,220,250	-
Pension liability	-	11,628	11,628	-
Unearned revenue	694,605	-	694,605	553,893
Long-term liabilities:				
Due within one year	6,578,188	4,920,821	11,499,009	1,852,238
Due in more than one year	45,361,853	34,237,681	79,599,534	13,479,707
<b>Total liabilities</b>	<b>58,930,011</b>	<b>46,503,698</b>	<b>105,433,709</b>	<b>20,032,830</b>
NET ASSETS				
Invested in capital assets - net of related debt	21,592,954	158,570,378	180,163,332	8,431,896
Restricted for:				
Retainage	-	-	-	177,314
Capital projects	2,943,849	14,528,018	17,471,867	-
Special programs	1,128,246	-	1,128,246	950,530
Debt service	697,894	-	697,894	-
Other purposes	2,480,198	-	2,480,198	-
Unrestricted	38,433,286	35,172,773	73,606,059	(1,808,960)
<b>Total net assets</b>	<b>\$ 67,276,427</b>	<b>\$ 208,271,169</b>	<b>\$ 275,547,596</b>	<b>\$ 7,750,780</b>

The accompanying notes are an integral part of these financial statements.

CITY OF DANVILLE, VIRGINIA  
STATEMENT OF ACTIVITIES

Exhibit B

Year Ended June 30, 2005

Functions/Programs Primary Government	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Component Units
Government activities:							
General government	\$ 11,563,702	\$ 5,000,863	\$ 11,205,812	\$ -	\$ 4,642,973	\$ -	\$ 4,642,973
Judicial administration	4,506,834	487,228	1,923,498	-	(2,096,108)	-	(2,096,108)
Public safety	23,709,019	242,548	7,143,943	-	(16,322,528)	-	(16,322,528)
Public works	12,961,903	-	7,898,801	-	(5,063,102)	-	(5,063,102)
Health and welfare	10,751,310	-	8,220,662	-	(2,530,648)	-	(2,530,648)
Parks, recreation, cultural	5,456,568	213,037	814,633	-	(4,428,918)	-	(4,428,918)
Community development	7,893,276	-	2,434,405	-	(2,553,214)	-	(2,553,214)
Education	17,932,956	-	-	2,905,657	(17,932,956)	-	(17,932,956)
Interest on long-term debt	1,866,516	-	-	-	(1,866,516)	-	(1,866,516)
Nondepartmental	3,861,787	-	-	-	(3,861,787)	-	(3,861,787)
Total governmental activities	100,523,891	5,943,676	39,841,754	2,905,657	(52,032,804)	-	(52,032,804)
Business-type activities:							
Wastewater	6,162,912	6,059,995	-	54,912	-	(48,305)	(48,305)
Water	4,545,575	5,075,326	-	119,095	-	648,847	648,847
Gas	22,305,387	25,211,996	-	539	-	2,907,148	2,907,148
Electric	41,008,206	53,740,565	-	254,528	-	12,966,887	12,966,887
Nonmajor	4,901,655	3,568,492	299,476	645,659	-	(388,028)	(388,028)
Total business-type activities	78,923,735	93,656,374	299,476	1,074,434	-	16,106,549	16,106,549
Total primary government	179,447,626	99,600,050	39,941,230	3,980,091	(52,032,804)	16,106,549	(35,926,255)
Component Units:							
Danville Public Schools	63,992,255	1,085,796	20,251,703	2,128,921	-	-	(40,527,835)
Industrial Development Authority	1,244,868	423,057	680,794	-	-	-	(141,017)
Total component units	\$ 65,237,123	\$ 1,508,853	\$ 20,932,497	\$ 2,128,921	-	-	(40,668,852)
General Revenues - unrestricted:							
Real estate and personal property taxes					24,540,038	-	24,540,038
Other taxes					14,317,172	-	14,317,172
Payments from City of Danville					-	-	-
State aid - unrestricted					-	-	-
Investment income					758,666	1,471,314	2,229,980
Transfers - net					10,405,773	(10,405,773)	-
Miscellaneous					3,183,697	1,961,662	5,145,359
Total general revenues, transfers and miscellaneous					53,205,346	(6,972,797)	46,232,549
Change in net assets					1,172,542	9,133,752	10,306,294
Net assets - beginning of year					66,103,895	199,137,417	265,241,302
Net assets - end of year					\$ 67,276,427	\$ 208,271,169	\$ 275,547,596
							\$ 7,750,780

The accompanying notes are an integral part of these financial statements.



## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2005

## ASSETS

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 82,084	\$ -	\$ -	\$ -	\$ 82,084
Restricted - permanently					
Unrestricted	20,204,579	1,514,410	3,966,391	2,430,437	28,115,917
Cash and investments - held by fiscal agent	697,894	5,000	-	-	702,894
Receivables - net	7,893,680	-	-	-	7,893,680
Taxes and licenses	144,940	-	-	-	144,940
Accounts	611,870	1,652	7,797	4,917	613,522
Accrued interest	-	4,654,166	-	-	4,654,166
Loans	443,586	-	-	27,507	471,093
Due from enterprise fund	1,418,161	-	-	-	1,418,161
Due from other funds	3,042,728	432,696	2,360,254	1,472,608	7,308,286
Due from other governments	93,025	923	-	-	93,948
Prepayments	247,955	-	-	-	247,955
Inventories	-	-	-	-	-
<b>Total assets</b>	<b>\$ 34,880,602</b>	<b>\$ 6,608,847</b>	<b>\$ 6,334,442</b>	<b>\$ 3,935,469</b>	<b>\$ 51,759,360</b>

## LIABILITIES AND FUND BALANCES

<b>LIABILITIES</b>					
Accounts payable	\$ 991,410	\$ 33,623	\$ 2,801,004	\$ 334,944	\$ 4,160,981
Accrued salaries	114,415	-	-	-	114,415
Loan escrow held for others	-	227,514	-	-	227,514
Due to other funds	-	792,813	-	-	792,813
Due to component unit	1,762,236	-	-	625,348	2,387,584
Due to other governments	113,175	-	-	-	113,175
Refundable deposits	258,407	-	-	-	258,407
Deferred revenue	7,395,362	4,426,651	-	27,507	11,849,520
<b>Total liabilities</b>	<b>10,635,005</b>	<b>5,480,801</b>	<b>2,801,004</b>	<b>987,799</b>	<b>19,904,409</b>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	1,395,519	123,063	437,825	244,380	2,200,787
Cemetery maintenance	-	-	-	2,430,437	2,430,437
Debt service	697,894	-	-	-	697,894
Specific projects	1,758,291	1,005,183	3,095,613	-	5,859,087
Unreserved:					
General fund	20,393,893	-	-	-	20,393,893
Special grants fund	-	-	-	272,853	272,853
<b>Total fund balances</b>	<b>24,245,597</b>	<b>1,128,246</b>	<b>3,533,438</b>	<b>2,947,670</b>	<b>31,854,951</b>
<b>Total liabilities and fund balances</b>	<b>\$ 34,880,602</b>	<b>\$ 6,608,847</b>	<b>\$ 6,334,442</b>	<b>\$ 3,935,469</b>	<b>\$ 51,759,360</b>

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets**

---

**June 30, 2005**

---

**Total fund balances - governmental funds** \$ 31,854,951Amount reported for governmental activities in the  
Statement of Net Assets are different because:Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 69,393,877Other long-term assets are not available to pay for current-period  
expenditures and therefore are deferred in the funds.

Unearned revenue	\$ 11,191,350	
Accrued interest	<u>(325,647)</u>	10,865,703

Internal service funds are used by management to charge the costs  
of certain activities, such as insurance, printing, and communications,  
to individual funds. The assets and liabilities of certain internal service  
funds are included in governmental activities in the Statement of Net  
Assets. 6,181,646Long-term liabilities, including bonds payable, are not due and  
payable in the current period and therefore are not reported as liabilities  
in the governmental funds. (51,019,750)**Total net assets-governmental activities** \$ 67,276,427*The accompanying notes are an integral part of these financial statements.*

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2005

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 24,540,038	\$ -	\$ -	\$ -	24,540,038
Local taxes	21,259,487	-	-	-	21,259,487
Fines and forfeitures	430,796	-	-	-	430,796
Permits, privilege fees, and regulatory licenses	239,617	-	-	-	239,617
Revenue from use of money and property	1,076,782	-	28,538	79,695	1,185,015
Charges for services	3,689,094	-	-	-	3,689,094
Miscellaneous	34,117	2,127,033	-	371,920	2,538,070
Recovered costs	4,032,607	-	-	-	4,032,607
Intergovernmental	21,584,671	303,847	4,410,587	3,673,067	29,972,172
<b>Total revenues</b>	<b>78,886,189</b>	<b>2,430,880</b>	<b>4,444,125</b>	<b>4,124,682</b>	<b>87,885,876</b>
<b>EXPENDITURES</b>					
Current:					
General government	5,808,408	-	-	7,434	5,815,842
Judicial administration	4,358,986	-	-	50,924	4,409,910
Public safety	21,424,027	-	-	758,938	22,182,965
Public works	10,321,419	-	-	796,320	11,117,739
Health and welfare	8,084,776	-	-	2,400,912	10,485,688
Education	16,334,579	-	437,825	-	16,772,404
Parks, recreation, and cultural	4,221,219	-	-	612,643	4,833,862
Community development	1,053,311	2,583,569	827,793	-	4,464,673
Nondepartmental	3,861,787	-	-	-	3,861,787
Capital outlay	-	-	8,088,678	-	8,088,678
Debt service:					
Principal	3,516,046	-	-	-	3,516,046
Interest	1,885,516	-	-	-	1,885,516
<b>Total expenditures</b>	<b>80,881,074</b>	<b>2,583,569</b>	<b>9,354,296</b>	<b>4,627,171</b>	<b>97,446,110</b>
<b>Deficiency of revenues over expenditures</b>	<b>(3,994,885)</b>	<b>(152,689)</b>	<b>(4,910,171)</b>	<b>(502,489)</b>	<b>(9,560,234)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	10,985,895	-	5,222,500	860,024	17,068,419
Transfers out	(8,224,132)	-	-	(138,515)	(6,362,647)
<b>Total other financing sources (uses)</b>	<b>4,761,763</b>	<b>-</b>	<b>5,222,500</b>	<b>721,509</b>	<b>10,705,772</b>
<b>Net change in fund balances</b>	<b>766,878</b>	<b>(152,689)</b>	<b>312,329</b>	<b>219,020</b>	<b>1,145,538</b>
<b>Fund balances - beginning of year</b>	<b>23,478,719</b>	<b>1,280,935</b>	<b>3,221,109</b>	<b>2,728,650</b>	<b>30,709,413</b>
<b>Fund balances - end of year</b>	<b>\$ 24,245,597</b>	<b>\$ 1,128,246</b>	<b>\$ 3,533,438</b>	<b>\$ 2,947,670</b>	<b>\$ 31,854,951</b>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of the Governmental Funds to the Statement of Activities**

---

**Year Ended June 30, 2005**

---

**Net change in fund balances - total governmental funds** **\$ 1,145,538**

Amount reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the Statement of Activities the cost of these assets  
is allocated over their estimated useful lives and reported as  
depreciation expense. This is the amount by which capital outlays  
exceeded depreciation.

Capital Outlay - City	\$ 1,878,935	
Depreciation - City	(3,230,824)	
Depreciation - Schools	<u>(1,923,440)</u>	
		(3,275,329)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	4,278,934
---	-----------

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(218,661)
---	-----------

Some revenues and expenditures are not accrued in the governmental funds but are shown  
as liabilities in the Statement of Net Assets.

Decrease in unearned revenue	(378,166)	
Decrease in accrued interest	3,643	
Changes in internal service	<u>59,118</u>	
		(315,405)

Internal service funds are used by management to charge the cost of certain activities, such as insurance and printing, to individual funds. The net revenue of certain internal service funds is reported with governmental activities.	<u>(442,535)</u>
---	------------------

**Changes in net assets of governmental activities** **\$ 1,172,542**

*The accompanying notes are an integral part of these financial statements.*

## CITY OF DANVILLE, VIRGINIA

## STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

June 30, 2005

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and Investments	\$ 231,247	\$ 2,378,884	\$ 7,613,202	\$ 21,960,398	\$ 164,714	\$ 32,348,425	\$ 3,924,655
Cash and Investments - held by fiscal agents	-	-	-	14,000	-	14,000	59,900
Receivables - net	611,056	538,503	595,051	6,525,287	7,064	8,279,981	1,749
Due from other governments	-	-	-	-	646,475	646,475	-
Inventories	-	271,176	223,587	1,375,986	-	1,870,759	104,687
Pension asset	-	107,817	61,455	315,477	-	669,049	49,761
<b>Total current assets</b>	<b>842,303</b>	<b>3,296,360</b>	<b>8,493,305</b>	<b>30,194,148</b>	<b>1,001,553</b>	<b>43,827,669</b>	<b>4,140,842</b>
<b>Noncurrent assets</b>							
Restricted cash and investments	-	3,557,915	2,222,062	8,116,218	-	13,896,195	-
Capital assets:							
Land and improvements	83,945	60,477	14,847	577,086	509,232	1,225,587	-
Construction in progress	1,295,340	6,090,869	7,713,636	16,855,473	-	31,955,317	-
Buildings, structures, and improvements	36,232,921	32,610,744	27,836,968	117,025,090	2,525,015	216,231,738	-
Equipment	31,284,404	11,669,670	1,195,721	5,584,178	2,024,868	51,739,041	9,314,986
Less - accumulated depreciation	(22,923,552)	(18,235,865)	(11,522,127)	(48,225,127)	(3,194,008)	(104,100,680)	(6,984,456)
<b>Total noncurrent assets - net</b>	<b>45,923,058</b>	<b>35,754,008</b>	<b>27,481,107</b>	<b>99,943,918</b>	<b>1,885,107</b>	<b>210,847,199</b>	<b>2,330,520</b>
<b>Total assets</b>	<b>46,765,361</b>	<b>39,050,368</b>	<b>35,954,412</b>	<b>130,138,066</b>	<b>2,886,660</b>	<b>254,774,867</b>	<b>6,471,362</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable	6,406	194,693	889,259	3,164,089	82,986	4,347,443	34,834
Accrued interest	238,632	176,893	28,367	135,730	1,074	580,696	1,672
Due to primary government	-	-	-	-	443,586	443,586	59,374
Refundable deposits	-	-	-	1,961,843	-	1,961,843	-
Pension liability	6,288	-	-	-	5,330	11,628	-
Long-term liabilities - due within one year	1,945,286	1,522,131	320,272	1,049,881	83,251	4,920,821	38,485
<b>Total current liabilities</b>	<b>2,196,622</b>	<b>1,893,717</b>	<b>1,247,898</b>	<b>6,311,543</b>	<b>616,237</b>	<b>12,266,017</b>	<b>134,345</b>
<b>Noncurrent liabilities</b>							
Long-term liabilities - due in more than one year	15,258,690	9,972,111	1,594,430	6,709,959	24,409	33,569,599	155,371
Compensated absences	-	161,512	138,425	263,512	94,633	678,082	-
<b>Total noncurrent liabilities</b>	<b>15,258,690</b>	<b>10,153,623</b>	<b>1,732,855</b>	<b>6,973,471</b>	<b>119,042</b>	<b>34,237,881</b>	<b>155,371</b>
<b>Total liabilities</b>	<b>17,455,312</b>	<b>12,047,340</b>	<b>2,980,753</b>	<b>13,285,014</b>	<b>735,279</b>	<b>46,503,898</b>	<b>289,716</b>
<b>NET ASSETS</b>							
Invested in capital assets - net of related debt	28,719,082	20,701,851	23,324,343	84,067,851	1,757,241	158,570,378	2,163,064
Restricted for incomplete capital projects	631,823	3,557,915	2,222,082	8,116,218	-	14,528,018	-
Unrestricted	(40,856)	2,743,262	7,427,284	24,669,973	374,140	35,172,773	4,018,582
<b>Total net assets</b>	<b>\$ 29,310,049</b>	<b>\$ 27,003,028</b>	<b>\$ 32,973,659</b>	<b>\$ 116,853,052</b>	<b>\$ 2,131,381</b>	<b>\$ 208,271,169</b>	<b>\$ 6,181,646</b>

The accompanying notes are an integral part of these financial statements.

## CITY OF DANVILLE, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
ENTERPRISE FUNDS

Year Ended June 30, 2005

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
<b>OPERATING REVENUES</b>							
Charges for services	\$ 6,059,995	\$ 5,075,326	\$ 25,211,996	\$ 53,740,565	\$ 3,568,492	\$ 93,656,374	\$ 4,782,068
<b>OPERATING EXPENSES</b>							
Purchased services	-	-	19,988,345	28,532,844	-	47,521,189	-
Production	-	-	170,551	497,906	-	668,457	-
Transmission	2,632,982	1,043,980	-	1,514,214	-	5,191,186	-
Engineering	-	95,601	104,917	606,562	-	807,080	-
Distribution	650,485	447,852	498,529	1,891,370	-	3,488,236	-
Services	59,286	368,078	388,603	158,850	4,706,756	5,681,573	-
Depreciation	1,650,657	1,094,300	703,797	3,468,856	191,458	7,105,068	546,121
Meters/regulators	-	77,631	373,881	324,350	-	775,862	4,505,178
General and administrative	375,117	827,226	975,987	3,583,430	-	5,761,760	-
<b>Total operating expenses</b>	<b>5,368,537</b>	<b>3,954,668</b>	<b>22,204,610</b>	<b>40,578,362</b>	<b>4,899,214</b>	<b>77,004,411</b>	<b>5,051,299</b>
<b>Operating income (loss)</b>	<b>691,458</b>	<b>1,120,658</b>	<b>3,007,386</b>	<b>13,162,183</b>	<b>(1,329,722)</b>	<b>16,651,963</b>	<b>(269,231)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Sales income	-	-	-	-	168,815	168,815	-
Jobbing income	-	24,110	123,266	591,418	-	738,794	-
Rental income	-	-	-	-	16,989	16,989	-
Recovered cost	-	-	5,355	658,354	9,688	673,397	-
Gain (loss) on sale of capital assets	-	909	395,595	25,058	(57,895)	363,867	10,409
Federal and state grants	-	-	-	-	834,370	834,370	-
In-kind contributions	-	-	-	-	110,763	110,763	-
Interest income	22,393	185,503	251,630	1,004,246	7,542	1,471,314	120,558
Interest expense	(794,375)	(590,907)	(100,777)	(429,824)	(3,441)	(1,919,324)	(4,371)
<b>Total nonoperating revenues (expenses)</b>	<b>(771,982)</b>	<b>(350,385)</b>	<b>675,069</b>	<b>1,849,252</b>	<b>1,086,831</b>	<b>2,458,785</b>	<b>126,696</b>
<b>Income (loss) before contributions and transfers</b>	<b>(80,524)</b>	<b>740,273</b>	<b>3,682,455</b>	<b>15,011,435</b>	<b>(242,891)</b>	<b>19,110,748</b>	<b>(142,535)</b>
Capital contributions	54,614	119,096	539	254,528	-	428,777	-
Transfers in	-	-	-	-	280,122	280,122	-
Transfers out	-	-	(2,475,464)	(8,210,411)	-	(10,585,895)	(300,000)
<b>Total</b>	<b>54,614</b>	<b>119,096</b>	<b>(2,474,945)</b>	<b>(7,955,883)</b>	<b>280,122</b>	<b>(9,976,996)</b>	<b>(300,000)</b>
<b>Change in net assets</b>	<b>(25,910)</b>	<b>859,369</b>	<b>1,207,510</b>	<b>7,055,552</b>	<b>37,231</b>	<b>9,133,752</b>	<b>(442,535)</b>
<b>Total net assets - beginning of year</b>	<b>29,335,959</b>	<b>26,143,659</b>	<b>31,768,149</b>	<b>109,797,500</b>	<b>2,094,150</b>	<b>199,137,417</b>	<b>6,624,181</b>
<b>Total net assets - end of year</b>	<b>\$ 29,310,049</b>	<b>\$ 27,003,028</b>	<b>\$ 32,973,559</b>	<b>\$ 116,853,052</b>	<b>\$ 2,131,381</b>	<b>\$ 208,271,169</b>	<b>\$ 6,181,646</b>

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

Year Ended June 30, 2005

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
<b>Cash flows from operating activities</b>							
Received from customers	\$ 6,013,792	\$ 5,131,850	\$ 25,850,043	\$ 54,454,267	\$ 3,569,440	\$ 95,019,392	\$ 4,772,503
Payments to suppliers for goods and services	(3,302,246)	(1,386,670)	(19,968,648)	(33,545,579)	(1,595,806)	(59,768,949)	(4,323,843)
Payments to employees for services	(342,585)	(1,380,875)	(1,198,425)	(3,930,123)	(2,312,176)	(9,162,184)	(171,455)
Payments to internal service funds for goods and services	(139,476)	(7,252)	(2,475)	(325,020)	(368,990)	(843,213)	(41,429)
Nonoperating revenue	-	24,110	128,621	1,249,772	195,492	1,597,985	-
<b>Net cash from operating activities</b>	<b>2,229,485</b>	<b>2,381,163</b>	<b>4,811,116</b>	<b>17,903,317</b>	<b>(502,040)</b>	<b>26,823,041</b>	<b>235,778</b>
<b>Cash flows from noncapital financing activities</b>							
Transfers from other funds	-	-	-	-	280,122	280,122	-
Transfers to other funds	-	-	(2,475,484)	(8,210,411)	-	(10,685,895)	(300,000)
Operating grants received	-	-	-	-	598,100	598,100	-
<b>Net cash from noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>(2,475,484)</b>	<b>(8,210,411)</b>	<b>878,222</b>	<b>(9,809,673)</b>	<b>(300,000)</b>
<b>Cash flows from capital and related financing activities</b>							
Acquisition of capital assets	(1,503,476)	(1,397,817)	(2,512,852)	(15,075,023)	(407,422)	(20,896,590)	(608,508)
Principal payments on long-term debt	(1,597,495)	(1,332,127)	(192,933)	(777,922)	(23,076)	(3,923,553)	(35,892)
Interest payments on long-term debt	(794,375)	(590,907)	(100,777)	(429,824)	(3,721)	(1,919,604)	(946)
Proceeds from sale of capital assets	-	62,513	341,244	28,490	3,425	433,672	34,899
Contributed capital	54,614	119,096	539	254,528	-	428,777	-
<b>Net cash from capital and related financing activities</b>	<b>(3,840,732)</b>	<b>(3,139,242)</b>	<b>(2,484,779)</b>	<b>(18,001,751)</b>	<b>(430,794)</b>	<b>(25,877,298)</b>	<b>(810,447)</b>
<b>Cash flows from investing activities</b>							
Interest on investments	22,393	185,503	251,630	1,004,246	7,542	1,471,314	117,233
Net activity in investment securities	85,087	80,243	16,000	50,585	1,059	212,954	4,864
<b>Net cash from investing activities</b>	<b>87,480</b>	<b>265,746</b>	<b>267,630</b>	<b>1,054,831</b>	<b>8,601</b>	<b>1,684,268</b>	<b>122,097</b>
<b>Net increase (decrease) in cash and investments</b>	<b>(1,523,767)</b>	<b>(492,333)</b>	<b>138,483</b>	<b>(5,254,034)</b>	<b>(48,011)</b>	<b>(7,179,862)</b>	<b>(552,574)</b>
<b>Cash and investments - beginning of year</b>	<b>1,755,014</b>	<b>6,429,112</b>	<b>9,696,781</b>	<b>35,344,650</b>	<b>212,725</b>	<b>53,438,282</b>	<b>4,537,219</b>
<b>Cash and investments - end of year</b>	<b>\$ 231,247</b>	<b>\$ 5,936,779</b>	<b>\$ 9,835,264</b>	<b>\$ 30,090,616</b>	<b>\$ 164,714</b>	<b>46,258,620</b>	<b>\$ 3,984,645</b>

(Continued on next page)

## CITY OF DANVILLE, VIRGINIA

## STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

Exhibit G  
(Continued)

Year Ended June 30, 2005

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
Reconciliation of operating income (loss) to net cash from operating activities							
Operating income (loss)	\$ 691,458	\$ 1,120,858	\$ 3,007,386	\$ 13,182,183	\$ (1,329,722)	\$ 16,651,983	\$ (289,231)
Adjustments:							
Depreciation charged to operations	1,650,657	1,094,300	703,797	3,488,856	191,458	7,109,088	546,121
In-kind contributions	-	-	-	-	110,763	110,763	-
Change in noncash employee benefits charged to operations	4,756	12,044	5,459	17,486	49,229	88,974	20,252
Nonoperating revenue	-	24,109	128,621	1,249,771	195,493	1,597,994	-
Changes in assets and liabilities:							
Receivables	(46,203)	56,524	638,048	651,261	948	1,300,578	(80,582)
Reserve for uncollectibles	(400)	(300)	(2,300)	(8,100)	-	(11,100)	-
Inventories	-	26,919	673,000	(77,256)	-	622,663	(15,425)
Accounts payable	(70,783)	46,909	(342,895)	(823,325)	(56,628)	(1,046,722)	(15,428)
Due to primary government	-	-	-	-	336,419	336,419	-
Deferred revenue	-	-	-	-	-	-	(9,305)
Refundable deposits	-	-	-	62,441	-	62,441	59,374
Net cash provided (used) by operating activities	\$ 2,229,485	\$ 2,381,163	\$ 4,811,116	\$ 17,903,317	\$ (502,040)	\$ 26,823,041	\$ 235,776
Supplemental disclosure of noncash investing, capital, and financing activities							
Increase in fair value of investments	\$ 6,955	\$ 25,774	\$ 32,533	\$ 161,748	\$ 1,244	\$ 228,254	\$ 17,643

The accompanying notes are an integral part of these financial statements.



## STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2005

	Employees' Retirement Plan
<b>ASSETS</b>	
Cash	\$ 1,370
Receivables:	
Employer's contributions	205,177
Accrued interest and dividends	275,075
Total receivables	480,252
Investments - at fair value:	
Common stocks	87,130,329
Corporate bonds	25,530,196
Foreign stocks	28,522,484
U.S. Government obligations	18,046,191
Other investments	16,469,284
Total investments	175,698,484
<b>Total assets</b>	<b>176,180,106</b>
<b>LIABILITIES</b>	
Accounts payable	160,199
<b>Total liabilities</b>	<b>160,199</b>
<b>NET ASSETS</b>	
Held in trust for pension benefits	\$ 176,019,907

*The accompanying notes are an integral part of these financial statements.*

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

---

Year Ended June 30, 2005

---

	Employees' Retirement Plan
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 2,538,686
<b>Total contributions</b>	<b>2,538,686</b>
Investment earnings:	
Net increase in fair value of investments	12,909,840
Interest	1,567,265
Dividends	752,524
<b>Total investment income</b>	<b>15,229,629</b>
Less - investment expenses	(747,749)
<b>Net investment income</b>	<b>14,481,880</b>
<b>Total additions</b>	<b>17,020,566</b>
<b>DEDUCTIONS</b>	
Benefits paid to participants	6,840,474
Refunds of contributions	71,208
Administrative expenses	92,966
<b>Total deductions</b>	<b>7,004,648</b>
<b>Change in net assets</b>	<b>10,015,918</b>
<b>Net assets held in trust for pension benefits - beginning of year</b>	<b>166,003,989</b>
<b>Net assets held in trust for pension benefits - end of year</b>	<b>\$ 176,019,907</b>

*The accompanying notes are an integral part of these financial statements.*

## CITY OF DANVILLE, VIRGINIA

Exhibit J

## STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2005

	Danville Public Schools	Industrial Development Authority	Total
<b>ASSETS</b>			
Cash and investments			
Restricted - permanently			
Unrestricted			
Cash and investments - held by fiscal agents			
Receivables - net			
Due from City			
Due from other governments			
Prepayments			
Inventories			
Capital assets:			
Land and construction in progress			
Other capital assets - net			
<b>Total assets</b>			
<b>LIABILITIES</b>			
Accounts payable			
Accrued salaries			
Accrued payroll taxes			
Accrued expenses			
Deferred revenue			
Long-term liabilities:			
Due within one year			
Due in more than one year			
<b>Total liabilities</b>			
<b>NET ASSETS</b>			
Invested in capital assets - net of related debt			
Restricted for:			
Retainage			
Special programs			
Unrestricted			
<b>Total net assets</b>			

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF ACTIVITIES - COMPONENT UNITS

Year Ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Danville Public Schools	Industrial Development Authority	Totals
DANVILLE PUBLIC SCHOOLS Education	\$ 63,992,255	\$ 1,085,796	\$ 20,251,703	\$ 2,126,921	\$ (40,527,835)	\$ -	\$ (40,527,835)
INDUSTRIAL DEVELOPMENT AUTHORITY Economic Development	1,244,868	423,057	680,794	-	-	(141,017)	(141,017)
Total component units	\$ 65,237,123	\$ 1,508,853	\$ 20,932,497	\$ 2,126,921	\$ (40,527,835)	\$ (141,017)	\$ (40,668,852)

## General revenues:

City of Danville	16,760,390	-	16,760,390
State aid - unrestricted	24,445,536	-	24,445,536
Investment income	169,690	2,776	172,466
Miscellaneous	313,183	-	313,183
Total general revenues	41,688,799	2,776	41,691,575
Change in net assets	1,160,964	(138,241)	1,022,723
Net assets - beginning of year	4,100,123	2,627,934	6,728,057
Net assets - end of year	\$ 5,261,087	\$ 2,489,693	\$ 7,750,780

The accompanying notes are an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

**CITY OF DANVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

---

**June 30, 2005**

---

**1. Organization and Nature of Operations**

***Reporting Entity***

The **City of Danville** (City), located in southside Virginia at the North Carolina border, was founded in 1793 and chartered in 1830. The City covers an area of approximately 44 square miles and has a population of approximately 45,900.

The City is governed under the City Manager-Council form of government. The City engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, housing and human service programs, transportation and environmental services, planning, community development and recreation, cultural, library, and historic activities.

**2. Summary of Significant Accounting Policies**

The financial statements of the City of Danville, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

***A. Financial Reporting Entity***

The City follows GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

- 1. Management's Discussion and Analysis** – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to the analysis the private sector provides in their annual reports.
- 2. Government-wide financial statements** – These include the financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Activities.
- 3. Statement of Net Assets** – The Statement of Net Assets displays the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

4. **Statement of Activities** - The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
5. **Budgetary comparison schedules** - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of the state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations, therefore data from these units would be combined with data of the primary government. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

#### ***B. Government-wide and Fund Accounting Financial Statements***

The basic financial statements include both government-wide (based on the City as a whole) and fund accounting financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund accounting financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities is reported using the economic resources measurement focus and the accrual basis of accounting which reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related charges for services, operating and capital grants, and contributions. The charges for services must be directly associated with the function (public safety, public works, health and welfare, etc.) or be a business-type activity. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile fund based financial statements with the governmental column of the government-wide presentation.

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension). Since by definition these assets are being held for the



benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the revised model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

## **1. Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed.

### **a. General Fund**

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and investment income. A significant part of the General Fund's revenues is transferred to other funds and component units, principally to finance the operations of the City of Danville's Public Schools.

### **b. Community Development**

The Community Development Fund accounts for all financial resources used for the growth of the City through state, federal, and local grants and donations. This fund is accounted for as a major governmental fund for reporting purposes by the City.

### **c. Capital Projects Fund**

The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by Enterprise or nonexpendable trust funds. The Capital Projects Fund is considered a major governmental fund for reporting purposes.

### **d. Special Revenue Fund**

The Special Revenue Fund accounts for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The Special Revenue Fund is considered a nonmajor governmental fund for reporting purposes.

### **e. Cemetery Maintenance Fund**

The Cemetery Maintenance Fund accounts for the financial resources used for the maintenance of the City's cemetery. All funds are generated by the sale of perpetual care contracts, and only the interest is used for the benefit of the primary government. This fund is accounted for as a permanent (nonmajor) fund for governmental reporting purposes.

### **f. Internal Service Fund**

The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The Internal Service Fund is included in governmental activities for government-wide reporting

purposes. The excess revenue or expenses for the fund are allocated to the appropriate functional activity.

Major internal service funds are used to account for the activities of the City's motor pool, central printing, and insurance.

## **2. Enterprise Funds**

Enterprise Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through Enterprise funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Enterprise Funds and Other Governmental Entities That Use Enterprise Fund Accounting*, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for Enterprise funds.

### **Enterprise Funds or Business Funds**

Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City's major enterprise funds are used to account for wastewater, water, gas, and electricity.

## **3. Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The only major fiduciary fund of the City is used to account for the City's Employee Retirement System activity. For accounting measurement purposes, the Pension Trust Fund is accounted for in essentially the same manner as Enterprise Funds. The Pension Trust Fund accounts for the assets of the City's pension plan. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. Fiduciary funds are not included in the government-wide financial statements.

### ***Discretely Presented Component Units***

Danville Public Schools (DPS) are organized as an independently governed school system for operating the public schools of the City. Board members are appointed by City Council by authority of the City Charter. Danville Public Schools are financially dependent on appropriations by the City Council for current operations, and any surplus funds are returned to the City annually. In addition, major capital improvements are financed by long-term debt issued by the City. In accordance with requirements of the Auditor of Public Accounts of the Commonwealth of Virginia, Danville Public Schools are considered to be a major component unit of the City.

The Industrial Development Authority (IDA) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City Council pursuant to provisions of the *Industrial Revenue Bond Act* of the *Code of Virginia (1950)* as amended. Seven directors appointed by the City Council of Danville govern the IDA. The City provides the majority of the IDA's funding. The IDA operates as a component unit solely for the purpose of economic development for the City of Danville. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

These financial statements are shown on Exhibits J and K.

Complete financial statements for each of the individual component units may be obtained at the entity's offices:

Danville Public Schools  
P.O. Box 9600  
Danville, Virginia 24543

Industrial Development Authority of Danville  
P.O. Box 3300  
Danville, Virginia 24543

#### **D. Jointly Governed Organizations**

City Council, in conjunction with the Board of Supervisors of Pittsylvania County, Virginia (County), established Danville-Pittsylvania Community Services (DPCS) in 1972 to implement the provisions of Chapter 10 of Title 37.1 of the *Code of Virginia* (1950), as amended. The primary function of DPCS is the establishment and operation of mental health, mental retardation, and substance abuse programs within the jurisdictional limits of the City and County. Seven members of the fifteen-member board of directors are appointed by City Council, and the County's Board of Supervisors appoints the remaining eight members. The Board of Directors approves its own budget and maintains oversight of all programs. Most of the funding for DPCS comes from state and federal grants, as well as from charges for services. The City and County provide some financial assistance, but DPCS is not financially dependent on the City or the County. While not a component unit of the City or the County, DPCS is considered to be a jointly governed organization since neither the City nor the County has determinable ongoing financial interests, in, or responsibilities for, DPCS. The City is the fiscal agent for federal and state funds of DPCS, and maintains an agency fund to properly account for this responsibility. During the year ended June 30, 2005, the City provided \$158,744 in funding for Danville-Pittsylvania Community Services. In addition, state and federal grants totaling \$5,805,906 passed through the City to DPCS.

In July 1995, City Council approved an intergovernmental agreement with Pittsylvania County, Virginia, establishing the Danville-Pittsylvania Community Policy and Management Board (Board). This Board was created under the provisions of the *Virginia Comprehensive Services Act* for at-risk youth and families, establishing a Family Assessment Team to review individual needs and to make recommendations to the Board. Pittsylvania County acts as fiscal agent for the Board and provides office space and personnel. The City of Danville has agreed to reimburse the County for 50% of the operating costs as well as provide legal services. While not a component unit of the City or the County, the Board is considered to be a jointly governed organization, since neither the City nor the County has determinable ongoing financial interests in, or responsibilities for, the Board. During the year ended June 30, 2005, the City provided \$49,786 in funding for the Danville-Pittsylvania Community Policy and Management Board.

In 2001, the Danville-Pittsylvania Regional Industrial Facility Authority (Facility Authority) was created by ordinance of the Board of Supervisors of Pittsylvania County, Virginia, and the City Council of Danville, Virginia, to promote and further the purposes of the *Virginia Regional Industrial Facilities Act*, Chapter 64, Title 15.2 of the *Code of Virginia* (1950), as amended (Facility Act). The Facility Authority is an entity jointly owned by the City of Danville and Pittsylvania County and is a political subdivision of the Commonwealth. The Facility Authority is empowered, among other things, to borrow money to pay the costs of real estate and all improvements located in industrial parks intended to be occupied by manufacturing, warehousing, distribution, office or other commercial enterprise. In addition, the Facility Authority is authorized under the Facility Act to issue revenue bonds to finance facilities for such enterprises and to refund such bonds. The Facility Authority has no taxing power.

The Facility Authority has the following commitments at June 30, 2005:

\$1,915,943 – Contract for Cane Creek Centre sewage pump station and force main (cost to complete of approximately \$1,068,000)

\$4,646,980 – Contract for Danville Research Building (contract awarded June 22, 2005)

Subsequent to June 30<sup>th</sup>, the Facility Authority issued \$7.3 million in general obligation bonds to facilitate its Cane Creek Centre project expansion. The bonds are secured by a moral obligation of the City of Danville and Pittsylvania County (50% each).

Options to purchase land of approximately \$2.7 million were exercised subsequent to year-end.

#### ***E. Basis of Accounting***

The government-wide Statement of Net Assets and Statement of Activities, all enterprise funds, and private purpose trust fund and pension trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the Statement of Net Assets. Enterprise fund-type operating statements present increases; e.g., revenues, and decreases; e.g., expenses as changes in net assets. Long-term assets and long-term liabilities are included in the government-wide statements.

The Statement of Net Assets and Statement of Activities of the enterprise funds and fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet in the funds statements. Operating statements of these funds present increases; i.e., revenues and other financing sources and decreases; i.e., expenditures and other financing uses, as changes in fund balances.

The fund financial statements of the General, Special Revenue, Capital Projects, and nonmajor governmental funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenues and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end, but which are not available, are deferred. Investment income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

#### ***F. Encumbrances***

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control in the General, Capital Projects funds, and Community Development fund. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year. These encumbrances are subject to reappropriation by Council ordinance of the succeeding fiscal year.

#### ***G. Cash and Investments***

Cash resources of the individual funds, excluding cash held with fiscal agents in the General Fund, Special Revenue Fund, Capital Projects Fund, Enterprise funds, and Fiduciary funds, are combined

to form a pool of cash and investments to maximize earnings. Investments in the pool consist of obligations of the Federal Government and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. All investment earnings are allocated to the various funds based on their equity in the investment pool.

For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

The fair value of investments is based on quoted market prices; no investments are valued at cost. All investments in external investment pools are reported at fair value.

#### ***H. Allowance for Uncollectible Accounts***

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

General Fund allowance:	
Taxes receivable	\$ 577,599
Fines and forfeitures receivable	2,961,960
	<u>\$ 3,539,559</u>
Enterprise Fund allowance:	
Consumer receivables - wastewater	106,000
Penalties receivable	42,500
	<u>\$ 148,500</u>

The component units' customer accounts receivable are considered fully collectible, and; therefore, an allowance for uncollectible accounts is not applicable to those receivables.

#### ***I. Inventory of Supplies and Prepaid and Other Assets***

##### **1. Primary Government**

Inventory in the General Fund consists of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Purchases of non-inventory items are recorded as expenditures under the consumption method, resulting in prepaid expenditures. Prepaid expenditures in reimbursable grants are offset by deferred revenue until expenditures are recognized. Inventories in the General Fund are costed on the first-in, first-out basis, and Enterprise Funds are costed by the moving-average cost method.

##### **2. Component Units**

Inventory for Danville Public Schools is comprised of food, supplies, and textbooks held for consumption. Quantities on hand at year-end are recorded at cost on the balance sheet with an offsetting reservation of fund balance, which indicates they do not constitute expendable available financial resources. The cost of textbooks is determined by current replacement cost adjusted for estimated wear and tear.

#### ***J. Capital Assets***

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on general capital assets on a government-wide basis. Capital outlays of the Enterprise Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. The capitalization threshold for capitalizing capital assets is \$5,000, and the

infrastructure capitalization threshold is \$100,000. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives of capital assets are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts; and any resulting gain or loss is included in current year's operations.

#### ***K. Compensated Absences and Other Employee Benefits***

Expenditures for compensated absences and self-insured group hospitalization and workers' compensation in governmental funds are recorded when the obligations are paid. The current portions are not recorded as liabilities in governmental funds since these will not be liquidated with expendable available financial resources. In Enterprise funds, both the expenses and the liabilities are recorded as the benefits are earned. All liabilities, current and long-term, are recorded in the Government-wide Statement of Net Assets.

##### **1. Vacation Pay**

The City's policy regarding vacation pay allows for the unlimited accumulation of unused benefits. Unused vacation pay is paid upon termination of employment. The Danville Public Schools allows for the accumulation of vacation pay that may be used by employees when retiring early, but is not paid at termination.

##### **2. Sick Pay**

Accumulated sick leave benefits earned but unpaid at the end of the fiscal year are recorded as a liability at the balance sheet date. Accumulated sick leave is paid to employees upon retirement from employment at a rate of \$1.50 per hour up to a maximum of 960 hours (\$1,440 per employee). Up to one year of unused sick leave may be applied to total service years upon retirement.

##### **3. Group Hospitalization**

All permanent employees of the City, including elected officials and their staff, are eligible to participate in the City's group insurance program. The City contributes 70% of the premium for active participating employees. The City is self-insured for group hospitalization with the exception of \$125,000 stop loss coverage.

##### **4. Workers' Compensation**

The City is self-insured for all workers' compensation claims. There were no significant claims incurred but not reported as of June 30, 2005. Liabilities are estimated on a case-by-case review of all outstanding claims by an independent claims agent.

##### **5. Other Postemployment Benefits**

All permanent employees of the City are eligible to continue their hospitalization and group life insurance into retirement. The City contributes 20% of the premium for retirees.

Danville Public Schools allow employees who participate in the Supplemental Retirement Plan to continue coverage under the School Board's health insurance program. The retirees pay the entire premium. Retirees who qualify to receive Virginia Retirement System (VRS) retirement benefits may continue in the VRS group life insurance program. The VRS does not charge a premium for this coverage.

#### ***L. Deferred Revenue***

Included in deferred revenue in the Governmental Funds Balance Sheet is \$7,367,262 of property taxes not collected within forty-five days of year-end.

#### ***M. Long-Term Debt***

For governmental fund types, bond premiums or discounts as well as issuance costs are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For enterprise fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which is not materially different from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed in the year of issue.

#### ***N. Fund Balance***

Reservations of fund balance represent amounts that can not be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Enterprise funds' contributed capital represents equity acquired through capital grants and capital contributions from developers, customers, or other funds.

##### **1. Reservations of Fund Balance**

Except for those required to comply with accounting standards, all reservations and designations of General Fund balance reflect City Council action in the context of adoption of the City's budget.

##### **2. Encumbrances**

These fund balances have been reserved for goods and services encumbered, or ordered, before the end of the fiscal year, for which delivery of goods and services have not been made prior to the close of the fiscal year.

##### **3. Approved Capital Projects**

These balances are reserved for capital projects that City Council has already approved.

##### **4. Debt Service**

This balance has been reserved for the accumulation of resources for the payment of general long-term debt principal.

### **3. Deposits and Investments**

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (Act), Section 2.1-359 et. seq of the *Code of Virginia* (1950), as amended, or covered by federal depository insurance.

#### ***A. Deposits***

##### **Primary Government**

At year-end, the carrying value of the City's deposits with banks was \$8,020,006, and the bank balances were \$8,959,501. The entire bank balance was covered by federal deposit insurance or collateralized in accordance with the Act.

Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for

monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

However, all qualified banks' public deposits are considered 100% "insured" (per GASB Statement 3, paragraph 11) because the Act provides for additional assessments to be made. This means that if a qualified bank was to fail, all collateral in the pool would be used to cover the public deposits held at that bank. In addition, if the collateral were inadequate to cover all public deposits, additional amounts would be assessed on a pro rata basis to each member of the pool. Therefore, the Act ensures that there will be no loss of public funds and that makes the pool similar to depository insurance. At June 30, 2005, no balances of the primary government were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

### **Component Units**

The carrying value of deposits for Danville Public Schools was \$885,927 and the bank balance was \$1,767,960. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Act at June 30, 2005.

At year-end, the IDA's deposits with banks were \$353,767. Of the bank balance, \$295,198 was covered by federal depository insurance, and \$50,609 was collateralized in accordance with the Act.

### **B. Investments**

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, mutual fund shares of the Virginia State Non-Arbitrage Program (SNAP), commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The fair value of the investment in the LGIP is equal to the value of the pool shares. The Auditor of Public Accounts is the oversight body for the LGIP. During the fiscal year, the City had investments in obligations of the United States and LGIP.

A designated portfolio manager managed the investments in U.S. Treasuries during fiscal year 2005. The City has a contract with the manager which requires that, at the time funds are invested, the certificates be held in the City's name in the Trust Department of the City's independent third-party safekeeping custodian, Wachovia Bank, N.A.

The City maintains one pension plan. The Pension Trust Fund investments are handled by independent portfolio managers. Investment restrictions for the pension trust focus on investment mix and limiting the percentage of the total portfolio that may be invested in a given instrument.

The City is subject to interest rate, credit and custodial risk as described below:

#### **Interest Rate Risk**

As a means of limiting the City's exposure to fair value losses arising from interest rates since April 2004, the City's investment policy has limited its investments to maturities of no more than 18 months.

#### **Credit Risk**

In accordance with State statutes, the current investment policy of the City authorizes investments in obligations of the United States and agencies thereof, commercial paper, repurchase agreements which are collateralized with securities that are approved for direct investment, the Virginia Local Government Investment Pool (LGIP), and Virginia's State Non-Arbitrage Pool (SNAP). The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, LGIP and SNAP. During the fiscal year, the City made in each of these



categories. The investments of the City's pension plan, are handled by The Northern Trust Company, a company with an AA- rating by Standard & Poor's rating agency. The investments for the plan are directed by the Board of employees and are invested in various securities and equities in guaranteed investment accounts. The City has directed Northern Trust Company to invest the Plan's funds. The Commonwealth of Virginia manages the investments of the Virginia Retirement System (VRS).

The City's rated debt Investments as of June 30, 2005 were in LGIP and SNAP and were rated AAAm by Standard and Poor's. The City's pension fund investments were rated by Standard and Poor's also and are included in the chart below.

#### **Custodial Risk**

For an investment, custodial risk is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A designated portfolio manager placed the City's pension plan investments. The City has a contract with the portfolio manager which requires that, at the time funds are invested, investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account.

As of June 30, 2005, the City had the following investments and maturities:

#### **Primary Government**

##### **Investment Maturities**

	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Long term</b>
U.S. Treasuries	\$ 46,876,420	\$ 6,543,445.00	\$ 40,332,975	\$ -
LGIP	22,015,495	-	-	-
SNAP	455,444	-	455,444	-
Total Investments	69,347,359	6,543,445.00	40,788,419	-
Pension Trust Fund	175,698,484	-	-	175,698,484
<b>Total</b>	<b>\$ 245,045,843</b>	<b>\$ 6,543,445.00</b>	<b>\$ 40,788,419</b>	<b>\$ 175,698,484</b>

#### **Reconciliation to Total Cash and Investments:**

Add:

Cash on hand and in banks	9,019,917
Cash with fiscal agents	776,884

**Total deposits and investments:** \$ 254,842,644

#### **Component Unit**

Statutes authorize DPS to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or p-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). For the current fiscal year, DPS was only invested in the LGIP.

Credit Risk - DPS's current investment policy limits investments to the LGIP. Standard & Poor has assigned a rating of AAAm to this pool.

Investments held by DPS at June 30, 2005 were as follows:

Investments held by DPS at June 30, 2005 were as follows:

Investment	Fair Value
LGIP	\$ 1,617,507

The following is a reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2005.

**Primary Government**

	Governmental Activities	Fiduciary Assets	Total
Cash and investments	\$ 32,122,656	\$ 1,370	\$ 32,124,026
Cash and investments with fiscal agents	762,884	175,698,484	176,461,368
Total primary government	32,885,540	175,699,854	208,585,394

**Component Units**

Cash and investments	2,482,952	375,273	2,858,225
Cash held by fiscal agents	236,077	-	236,077
Total component units	2,719,029	375,273	3,094,302
Total cash and investments	\$ 35,604,569	\$ 176,075,127	\$ 211,679,696

**Reserved cash and investments.** Equity in pooled cash and investments was reserved for the following purposes:

	Reserved for Incomplete Projects	Reserved for Other Purposes	Total Reserved Cash
General fund:			
Encumbrances	\$ -	\$ 1,395,519	\$ 1,395,519
Debt service	-	697,894	697,894
Specific projects	-	1,758,291	1,758,291
	\$ -	\$ 3,851,704	\$ 3,851,704
Enterprise funds:			
Wastewater	\$ 631,823	\$ -	\$ 631,823
Water	3,557,915	-	3,557,915
Gas	2,222,062	-	2,222,062
Electric	8,116,218	-	8,116,218
	\$ 14,528,018	\$ -	\$ 14,528,018

#### 4. Receivables

Receivables in the fund financial statements at June 30, 2005 consist of the following:

##### Governmental Funds

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total	Business-type Activities
Receivables:						
Taxes	\$ 11,433,239	\$ -	\$ -	\$ -	\$ 11,433,239	\$ -
Accounts	144,940	-	7,797	4,917	157,654	8,428,461
Interest	611,870	1,652	-	-	613,522	-
Loans	-	4,654,166	-	27,507	4,681,673	-
Due from business-type	443,586	-	-	-	443,586	-
Intergovernmental	3,042,728	432,696	2,360,254	1,472,608	7,308,286	646,475
Gross receivables	15,232,777	5,088,514	2,368,051	1,505,032	24,637,960	9,074,936
Less -						
Allowances for uncollectible accounts	(3,539,559)	-	-	-	(3,539,559)	(148,500)
Receivables - net	\$ 11,693,218	\$ 5,088,514	\$ 2,368,051	\$ 1,505,032	\$ 21,098,401	\$ 8,926,436

Total receivables for the governmental funds of \$21,098,401 shown in the chart above plus the receivables in the Internal Service Funds of \$1,749 equal to the total of receivables - net and due from other governments shown on Exhibit A.

##### Component Units

	Danville Public Schools	Industrial Development Authority	Total
Receivable			
Intergovernmental	\$ 3,081,360	\$ -	\$ 3,081,360
Other	74,020	44,435	118,455
Total receivables	\$ 3,155,380	\$ 44,435	\$ 3,199,815

##### Property Taxes

The City levies real estate taxes on all real property on a fiscal year basis, at a rate enacted by the City Council on the assessed value of property (except public utility property) as determined by the Director of Real Estate Assessments of the City of Danville. The Commonwealth assesses public utility property. Neither the City nor the Commonwealth of Virginia imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and reassessed each year as of July 1. The Director of Real Estate Assessments, by authority of City ordinance, prorates billings for property incomplete as of July 1, but completed during the year. Any taxes paid after the due date are subject to a 10% penalty.

Real estate taxes are billed in equal semi-annual installments due December 5 and June 5. Liens are placed on the property on the date real estate taxes are delinquent, and interest at the rate of 10% per annum is added to the delinquent tax and penalty, and must be satisfied prior to the sale or transfer of the property. Any uncollected amounts from previous years' levies are incorporated in the

taxes receivable balance. The tax rate during 2005 and 2004 was \$0.800 per \$100 of assessed value.

Personal property tax assessments on tangible business property and all motor vehicles are based on 100 percent of fair market value of the property as of January 1 of each year. For a vehicle, the tax may be prorated for the length of time the vehicle has situs in the City. Personal property taxes do not create a lien on property; however, City vehicle decals, which are required by law for all vehicles garaged in the City, may not be issued to any individual having outstanding personal property taxes. Interest at the rate of 10% per annum is added to the delinquent tax and penalty. The taxes receivable balance at June 30, 2005 includes amounts not yet received from the January 1, 2003 levy due June 5, 2004.

These taxes are included as deferred revenue in the fund financial statements since these taxes are not considered to be available to liquidate liabilities of the current period. The tax rate during 2005 and 2004 was \$3.00 for motor vehicles and tangible property and \$1.50 for machinery and tools per \$100 of assessed value. In addition, any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998, the City received 70% percent of most taxpayers' assessments in FY 2005 for the State's share of the local personal property tax payment with the remainder collected by the City.

## 5. Capital Assets

The table below is a summary of the changes in capital assets for the fiscal year ended June 30, 2005.

### Governmental Funds

	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 6,712,815	\$ -	\$ -	\$ 6,712,815
Construction in progress	2,884,484	8,339,509	8,365,810	2,858,183
Total capital assets not being depreciated	9,597,299	8,339,509	8,365,810	9,570,998
Other capital assets:				
Buildings	31,891,049	345,322	-	32,236,371
Infrastructure	26,332,066	499,005	-	26,831,071
Furniture and other equipment	14,478,533	998,173	426,156	15,050,550
Total other capital assets	72,701,648	1,842,500	426,156	74,117,992
Less - accumulated depreciation for:				
Buildings	(8,562,075)	(716,364)	-	(9,278,439)
Infrastructure	(11,668,459)	(1,454,135)	-	(13,122,594)
Furniture and other equipment	(11,557,376)	(1,060,325)	-	(12,617,701)
Total accumulated depreciation	(31,787,910)	(3,230,824)	-	(35,018,734)
	40,913,738	(1,388,324)	426,156	39,099,258
Assets transferred from Danville School Board for Senate Bill No. 276	77,837,094	-	-	77,837,094
Less - accumulated depreciation	(52,859,513)	(1,923,440)	-	(54,782,953)
	24,977,581	(1,923,440)	-	23,054,141
Other capital assets - net	65,891,319	(3,311,764)	426,156	62,153,399
Total capital assets - net	\$ 75,488,618	\$ 5,027,745	\$ 8,791,966	\$ 71,724,397

Depreciation was charged to governmental functions as follows:

General government administration	\$	1,486,179
Judicial administration		96,925
Public safety		840,014
Public works		258,466
Health and welfare		226,158
Parks, recreation, and cultural		161,541
Community development		161,541
Total	\$	<u>3,230,824</u>

Depreciation on the assets transferred by the Danville Public Schools was \$1,923,440. This expense is reflected in the education expense on the Statement of Activities.

#### Component Unit - Danville Public Schools

	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets not being depreciated:				
Land and land improvements	\$ 3,696,588	\$ 21,382	\$ -	\$ 3,717,970
Other capital assets				
Buildings	60,305,495	1,360,377	-	61,665,872
Furniture and other equipment	19,417,374	619,042	-	20,036,416
Total other capital assets	79,722,869	1,979,419	-	81,702,288
Less -				
Total accumulated depreciation	(49,644,538)	(490,496)	-	(50,135,034)
Capital assets - net	<u>30,078,331</u>	<u>1,510,305</u>	<u>-</u>	<u>35,285,224</u>
Assets transferred to the City of Danville to match long-term debt	(28,763,468)	-	-	(28,763,468)
Total	\$ 5,011,451	\$ 1,510,305	\$ -	\$ 6,521,756

Property, plant, and equipment are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated lives of the assets as follows:

Buildings	45 years
Equipment	3 - 25 years
Infrastructure	25 - 35 years

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements are summarized as follows:

## Component Unit - Industrial Development Authority

	Balance June 30, 2004	Balance June 30, 2005
Property held for lease:		
Land	\$ 381,580	\$ 620,615
Building	3,082,840	11,942,442
	3,464,420	12,563,057
Less - accumulated depreciation	(127,823)	(316,012)
	3,336,597	12,247,045
Property held for sale:		
Land and building	885,351	343,602
Construction in progress	120,846	885,697
Total	\$ 4,342,794	\$ 13,476,344

The IDA has five year operating leases with Essel ProPack America, LLC (Essel ProPack) and TelVista, Inc. Monthly payments are based on an amount equal to the IDA's debt service on each building. Each lease also has up to four (4) five (5) year renewal periods.

Further, Essel ProPack and TelVista each retain an option to purchase their leased property during the term of the lease, including any extensions, thereof, for the remaining principal balance owed by the IDA on the related loan on each property.

The IDA also leases a building in the City's historic district to Luna Technologies for \$1 per year.

Future estimated minimum rental payments due under the leases at June 30, 2005 follows:

Year Ending June 30,	Amount
2006	\$ 866,772
2007	705,211
2008	629,544
2009	629,544
2010	524,620
	<u>\$ 3,355,691</u>

### Land Held for Sale

Land held for sale is recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased, or at estimated fair value at the date of gift, if donated. Costs of property improvements are capitalized.

## Enterprise Funds

The following is a summary of changes in capital assets for business-type activities for the year ended June 30, 2005:

	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005
Business-type activities:				
Land	\$ 1,197,914	\$ 27,673	\$ -	\$ 1,225,587
Construction in progress	24,984,690	6,970,627	-	31,955,317
Total capital assets not being depreciated	26,182,604	6,998,300	-	33,180,904
Buildings	208,085,635	8,200,135	(54,034)	216,231,736
Equipment	46,530,077	5,718,964	(509,999)	51,739,042
Less - accumulated depreciation for				
Buildings	(73,959,333)	(5,307,020)	-	(79,266,353)
Equipment	(23,526,873)	(1,307,453)	-	(24,834,326)
Total accumulated depreciation	(97,486,206)	(6,614,473)	-	(104,100,679)
Other capital assets - net	157,129,506	7,304,626	(564,033)	163,870,099
Total capital assets - net	\$ 183,312,110	\$ 14,302,926	\$ (564,033)	\$ 197,051,003

## Governmental Funds

Capital outlay - City	\$ 7,841,684	
Capital outlay - City - not capitalized	(5,999,184)	
		\$ 1,842,500
Depreciation expense - City	(3,230,824)	
Depreciation expense - Schools	(1,923,440)	(5,154,264)
Total adjustment		\$ (3,311,764)

## Component Unit - Danville Public Schools

Capital outlay	\$ 2,000,801
Depreciation expense	(490,496)
Total adjustment	\$ 1,510,305

## 6. Commitments and Contingencies

### A. Litigation

The City is contingently liable with respect to lawsuits and other claims, which arise, in the ordinary course of its operations. It is the opinion of City management and the City Attorney that any losses not covered by insurance, which may ultimately be incurred as a result of the suits and claims, will not be material to the financial position of the City.

## ***B. Federally Assisted Grant Programs***

The City participates in a number of federally assisted grant programs. Although the City has been audited in accordance with the provisions of OMB Circular A-133, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, City management believes such disallowances, if any, will not be significant.

## ***C. Contracts***

The City has several construction and similar contracts in progress at June 30, 2005. The incomplete unbilled portion of these contracts represent financial commitments that have not been recorded in the financial statements, since they were not liabilities at June 30, 2005.

	<u>City of Danville</u>
Contracts	\$ 3,663,392
Less: paid or recorded as liabilities	<u>(2,123,343)</u>
	<u>\$ 1,540,049</u>

## ***D. Contingent Liabilities***

### Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The City maintains an insurance fund to account for insurance transactions. The City is self-insured for all workers' compensation claims, comprehensive and collision for vehicles which cost less than \$100,000, property damage up to a deductible of \$10,000, and employee liability to the extent that it is not covered by another policy (see the schedule of insurance coverage in the statistical section of the City's Comprehensive Annual Financial Report). Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Current market rates are used to discount claim liabilities.

The fleet insurance and commercial general liability insurance is provided under a pooled agreement with the Virginia Municipal Liability Pool (Pool), a public entity risk pool. The Pool has paid policy dividends on a regular basis. If the Pool should be in a deficit condition, it may levy an additional prorata assessment to members of the Pool, which may not exceed twice the members' annual contributions. The pool agreement does not address the question of member liability in case of a deficit condition. Claims have not exceeded coverage in any of the previous three years, and there were no reductions in coverage from the previous year.

### Component Unit

Danville Public Schools is a member of the School System of Virginia Self-Insurance Association (Association), a public entity risk pool for workers' compensation insurance. All members of the Association have agreed to assume any liability under the Virginia Workers' Compensation Act for any, and all, member employers. The Association has operated at a profit and has declared dividends on a regular basis since Danville Public Schools entered the pool in 1982. Danville Public Schools has elected to have the Association hold its dividends in escrow as a reserve against possible future claims. At June 30, 2005 the cumulative amount of dividends held in escrow by the Association for the Danville Public Schools amounted to \$269,077.



#### **E. Reimbursable Agreements**

At June 30, 2005, the City had outstanding agreements representing reimbursements to developers for streets, sewers, and utility facilities. These agreements totaled \$1,815,278 with \$1,453,424 having qualified for reimbursement within terms of the agreements. The remaining balances will be accrued upon qualification.

#### **F. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and account for any claims settlement in the General Fund. Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective. The City is covered by property/casualty insurance policies on real and personal property (except vehicles) and the following liability insurance policies as of June 30, 2005: public entity and public officials excess liability, medical and dental malpractice liability, voting booths, special events, vacant buildings, volunteer liability, non-owned aircraft liability, and commercial crime. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts of insurance on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

The following Constitutional Officers and City employees are covered by surety bonds issued by Lumberman's Mutual Casualty Co. in the amounts shown as of June 30, 2005:

Treasurer	\$	500,000
Commissioner of Revenue	\$	3,000
Clerk of Circuit Court	\$	103,000
Sheriff	\$	30,000
Treasurer, Director of Central Collections, and Director of Social Services	\$	100,000
All other City employees, except police officers	\$	500,000

#### **G. Self-Insurance**

The non-current portion of unpaid workers' compensation claims amounted to approximately \$2,869,400 as of June 30, 2005, and is reflected in the government-wide statements. The current portion is recorded as an accrued liability in the General Fund and the government-wide financial statements. Liabilities are reported when it is probable that losses have occurred, and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claims, adjustment expense, and estimated recoveries. An independent contractor processes the public liability claims and the City records a provision and liability in the entity-wide statements and General Fund (current portion only) for an estimate of incurred but not reported claims.

The actuary increased the assumptions used for calculating medical claim liabilities during the year ended June 30, 2005. This resulted in an increase in the liability of the City for workers' compensation by approximately \$900,000 for changes based on assumptions. There were no new injury additions to the liability calculations for the year.

Changes in the estimated claims payable for workers' compensation are as follows for the years ended June 30:

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance
<b>General government administration</b>				
<i>Board of Equalization</i>				
Other	1,500	1,723	1,722	(1)
	1,500	1,723	1,722	(1)
<i>Central collections</i>				
Salaries	308,349	320,296	317,184	(3,112)
Other	176,138	187,248	167,989	(19,259)
	484,487	507,544	485,173	(22,371)
<i>Treasurer</i>				
Salaries	167,012	167,012	165,617	(1,395)
Other	100,401	100,316	99,485	(831)
	267,413	267,328	265,102	(2,226)
<i>Finance and accounting</i>				
Salaries	576,841	583,663	562,070	(21,593)
Other	160,020	163,551	158,916	(4,635)
	736,861	747,214	720,986	(26,228)
<i>Purchasing</i>				
Salaries	147,510	149,853	149,852	(1)
Other	43,361	45,622	38,256	(7,366)
	190,871	195,475	188,108	(7,367)
<i>Management information systems</i>				
Salaries	901,220	901,220	877,487	(23,733)
Other	866,371	852,955	797,527	(55,428)
	1,767,591	1,754,175	1,675,014	(79,161)
<b>Total general and financial administration</b>	5,668,048	5,746,669	5,564,505	(182,164)
<b>Board of Elections</b>				
<i>Elections</i>				
Salaries	34,500	34,500	33,273	(1,227)
Other	20,457	20,457	11,432	(9,025)
	54,957	54,957	44,705	(10,252)
<i>Registrar</i>				
Salaries	64,731	67,090	67,089	(1)
Other	24,677	24,855	14,852	(10,003)
	89,408	91,945	81,941	(10,004)
<b>Total Board of Elections</b>	144,365	146,902	126,646	(20,256)
<b>Total General Government</b>	5,957,744	6,038,902	5,808,408	(230,494)
<b>Judicial Administration</b>				
<b>Courts</b>				
<i>Circuit Court</i>				
Salaries	133,422	133,422	112,867	(20,555)
Other	32,453	33,826	23,899	(9,927)
	165,875	167,248	136,766	(30,482)

See report of Independent auditors

(Continued on next page)

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance
<i>General District Court</i>				
Salaries - legal services	44,000	44,000	28,581	(15,419)
Other	22,684	22,684	11,648	(11,036)
	66,684	66,684	40,229	(26,455)
<i>Courts</i>				
Other	625	280	276	(4)
<i>District Court service unit</i>				
Other	5,100	6,769	3,501	(3,268)
<i>Juvenile and Domestic Relations Court</i>				
Other	51,766	46,063	36,867	(9,196)
<i>Clerk of the Circuit Court</i>				
Salaries	56,240	66,398	66,398	-
Other	140,003	152,424	150,300	(2,124)
	196,243	218,822	216,698	(2,124)
<i>City Sheriff</i>				
Salaries	2,352,887	2,378,690	2,378,689	(1)
Other	598,654	768,708	748,911	(19,797)
	2,951,541	3,147,398	3,127,600	(19,798)
<b>Total courts</b>	<b>3,437,834</b>	<b>3,653,264</b>	<b>3,561,937</b>	<b>(91,327)</b>
<b>Commonwealth's Attorney</b>				
Salaries	617,711	619,282	602,726	(16,556)
Other	187,406	210,653	194,323	(16,330)
<b>Total Commonwealth's Attorney</b>	<b>805,117</b>	<b>829,935</b>	<b>797,049</b>	<b>(32,886)</b>
<b>Total judicial administration</b>	<b>4,242,951</b>	<b>4,483,199</b>	<b>4,358,986</b>	<b>(124,213)</b>
<b>Public Safety</b>				
<b>Law enforcement and traffic control</b>				
<i>Police</i>				
Salaries	5,341,354	5,278,610	5,092,138	(186,472)
Other	1,378,531	1,978,264	1,877,862	(100,402)
	6,719,885	7,256,874	6,970,000	(286,874)
<i>Traffic control and maintenance</i>				
Salaries	287,154	304,763	303,210	(1,553)
Other	428,135	404,694	372,282	(32,412)
	715,289	709,457	675,492	(33,965)
<b>Total law enforcement and traffic control</b>	<b>7,435,174</b>	<b>7,966,331</b>	<b>7,645,492</b>	<b>(320,839)</b>
<b>Fire and rescue services</b>				
<i>Fire</i>				
Salaries	4,661,586	4,733,759	4,721,711	(12,048)
Other	1,148,405	1,447,867	1,400,795	(47,072)
	5,809,991	6,181,626	6,122,506	(59,120)

See report of Independent auditors

(Continued on next page)

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance
<i>Ambulance and rescue services</i>				
Other	65,933	65,933	65,933	-
<b>Total fire and rescue services</b>	<b>5,875,924</b>	<b>6,247,559</b>	<b>6,188,439</b>	<b>(59,120)</b>
 <i>Correction and detention</i>				
<i>Juvenile detention</i>				
Salaries	1,480,117	1,513,531	1,409,958	(103,573)
Other	1,783,786	1,808,772	1,739,694	(69,078)
<b>Total juvenile detention</b>	<b>3,263,903</b>	<b>3,322,303</b>	<b>3,149,652</b>	<b>(172,651)</b>
<i>City Jail</i>				
Salaries	15,000	23,957	23,957	-
Other	1,005,536	1,015,643	975,115	(40,528)
<b>Total City Jail</b>	<b>1,020,536</b>	<b>1,039,600</b>	<b>999,072</b>	<b>(40,528)</b>
<i>Adult detention</i>				
Salaries	1,126,201	1,125,196	1,096,966	(28,230)
Other	946,584	952,966	917,575	(35,391)
<b>Total adult detention</b>	<b>2,072,785</b>	<b>2,078,162</b>	<b>2,014,541</b>	<b>(63,621)</b>
<b>Total correction and detention</b>	<b>6,357,224</b>	<b>6,440,065</b>	<b>6,163,265</b>	<b>(276,800)</b>
 <i>Inspections</i>				
Salaries	267,620	267,620	256,836	(10,784)
Other	98,214	101,284	99,591	(1,693)
<b>Total inspections</b>	<b>365,834</b>	<b>368,904</b>	<b>356,427</b>	<b>(12,477)</b>
 <i>Other protection</i>				
<i>Animal control</i>				
Other	113,238	114,141	114,141	-
<b>Total animal control</b>	<b>113,238</b>	<b>114,141</b>	<b>114,141</b>	<b>-</b>
<i>Medical examiner</i>				
Other	2,000	2,350	2,350	-
<b>Total medical examiner</b>	<b>2,000</b>	<b>2,350</b>	<b>2,350</b>	<b>-</b>
<i>Emergency services</i>				
Salaries	79,823	78,807	64,892	(13,915)
Other	93,200	112,681	98,718	(13,963)
<b>Total emergency services</b>	<b>173,023</b>	<b>191,488</b>	<b>163,610</b>	<b>(27,878)</b>
<i>Emergency E-911</i>				
Salaries	614,318	612,132	567,919	(44,213)
Other	228,000	262,827	222,384	(40,443)
<b>Total emergency E-911</b>	<b>842,318</b>	<b>874,959</b>	<b>790,303</b>	<b>(84,656)</b>
<b>Total other protection</b>	<b>1,130,579</b>	<b>1,182,938</b>	<b>1,070,404</b>	<b>(112,534)</b>
<b>Total public safety</b>	<b>21,164,735</b>	<b>22,205,797</b>	<b>21,424,027</b>	<b>(781,770)</b>

See report of Independent auditors

(Continued on next page)

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance
<b>Public Works</b>				
<b>Maintenance of highways, streets, bridges and sidewalks</b>				
<i>Warehouse</i>				
Salaries	106,472	67,269	72,349	5,080
Other	47,535	97,214	92,935	(4,279)
	154,007	164,483	165,284	801
<i>Airport</i>				
Salaries	178,907	179,309	179,308	(1)
Other	193,015	198,627	198,413	(214)
	371,922	377,936	377,721	(215)
<i>Director of public works and engineering</i>				
Salaries	311,668	329,212	328,259	(953)
Other	117,228	186,301	183,971	(2,330)
	428,896	515,513	512,230	(3,283)
<i>Engineering</i>				
Salaries	333,870	333,794	408,694	74,900
Other	132,098	130,943	119,552	(11,391)
	465,968	464,737	528,246	63,509
<i>Right of way landscaping</i>				
Salaries	-	4,700	4,689	(11)
Other	80,000	115,435	108,756	(6,679)
	80,000	120,135	113,445	(6,690)
<i>Street maintenance</i>				
Salaries	582,227	629,689	629,688	(1)
Other	3,931,162	4,592,363	4,376,444	(215,919)
	4,513,389	5,222,052	5,006,132	(215,920)
<i>Storm drainage</i>				
Salaries	223,187	147,005	93,452	(53,553)
Other	194,163	119,073	61,305	(57,768)
	417,350	266,078	154,757	(111,321)
<i>Street lighting</i>				
Other	634,149	653,749	653,431	(318)
<i>Snow removal and storm damage</i>				
Drainage repair	50,000	33,293	6,685	(26,608)
Salaries	87,334	195,845	154,955	(40,890)
Other	204,168	230,562	213,725	(16,837)
	341,502	459,700	375,365	(84,335)
<i>On and off street parking</i>				
Salaries	18,780	18,430	15,735	(2,695)
Other	2,817	2,817	1,685	(1,132)
	21,597	21,247	17,420	(3,827)
<i>Maintenance - jobbing</i>				
Salaries	9,704	9,704	-	(9,704)
Other	8,814	6,314	380	(5,934)
	18,518	16,018	380	(15,638)

See report of Independent auditors

(Continued on next page)

## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance
<i>Street cleaning</i>				
Salaries	172,524	172,524	161,365	(11,159)
Other	132,673	127,650	123,994	(3,656)
	305,197	300,174	285,359	(14,815)
<b>Total maintenance of highways,         streets, bridges, and sidewalks</b>	<b>7,752,495</b>	<b>8,581,822</b>	<b>8,189,770</b>	<b>(392,052)</b>
<b>Maintenance of general buildings and grounds</b>				
<i>Maintenance of buildings and facilities</i>				
Salaries	116,439	113,955	113,921	(34)
Other	266,728	260,429	245,268	(15,161)
	383,167	374,384	359,189	(15,195)
<i>Maintenance of public grounds</i>				
Salaries	446,868	448,197	423,368	(24,829)
Other	439,364	521,121	449,677	(71,444)
	886,232	969,318	873,045	(96,273)
<i>Weed abatement program</i>				
Salaries	29,751	30,643	30,643	-
Other	38,648	50,870	50,866	(4)
	68,399	81,513	81,509	(4)
<i>City Beautiful</i>				
Other	10,000	10,500	10,500	-
<i>Municipal building</i>				
Salaries	156,695	186,242	186,183	(59)
Other	242,628	253,918	242,186	(11,732)
	399,323	440,160	428,369	(11,791)
<i>Courts and jail building</i>				
Salaries	104,463	82,008	79,861	(2,147)
Other	304,142	225,977	205,001	(20,976)
	408,605	307,985	284,862	(23,123)
<i>Financial services center</i>				
Salaries		19,672	16,734	(2,938)
Other	96,951	94,176	77,441	(16,735)
	96,951	113,848	94,175	(19,673)
<b>Total maintenance of general         buildings and grounds</b>	<b>2,252,677</b>	<b>2,297,708</b>	<b>2,131,649</b>	<b>(166,059)</b>
<b>Total Public Works</b>	<b>10,005,172</b>	<b>10,879,530</b>	<b>10,321,419</b>	<b>(558,111)</b>
<b>Health and Welfare</b>				
<b>Health</b>				
Other	521,179	521,179	521,179	-
<b>Mental health and mental retardation</b>				
Other	158,744	158,744	158,744	-

See report of Independent auditors

(Continued on next page)

## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance
<b>Welfare and social services</b>				
<i>Director of human services</i>				
Salaries	112,186	115,552	115,552	-
Other	25,250	31,278	25,391	(5,887)
	137,436	146,830	140,943	(5,887)
<i>Social services bureau</i>				
Salaries	2,403,928	2,316,928	2,202,752	(114,176)
Other	4,408,984	4,339,375	4,269,541	(69,834)
	6,812,912	6,656,303	6,472,293	(184,010)
<i>Welfare reform - education</i>				
Salaries	358,371	356,746	231,549	(125,197)
Other	324,171	448,617	424,539	(24,078)
	682,542	805,363	656,088	(149,275)
<i>Foster/adoptive home services</i>				
Salaries	29,759	29,759	22,989	(6,770)
Other	17,001	17,001	9,376	(7,625)
	46,760	46,760	32,365	(14,395)
<i>Southern Area Agency on Aging</i>				
Other	5,841	5,841	5,283	(558)
<i>State and local hospitalization</i>				
Other	8,263	8,819	8,819	-
<i>Child care initiative</i>				
Other	-	26,341	26,341	-
<i>Property tax relief for the elderly</i>				
Other	75,000	74,800	72,721	(2,079)
<b>Total welfare and social services</b>	7,768,754	7,771,057	7,414,853	(356,204)
<b>Total Health and Welfare</b>	8,448,677	8,450,980	8,094,776	(356,204)
<b>Education</b>				
Danville Community College	9,104	9,104	8,438	(666)
Danville School Board	18,119,000	18,929,987	16,326,141	(2,603,846)
<b>Total Education</b>	18,128,104	18,939,091	16,334,579	(2,604,512)
<b>Parks, Recreation, and Cultural</b>				
<b>Parks and Recreation</b>				
<i>Recreation</i>				
Salaries	971,356	981,973	972,183	(9,790)
Other	463,055	464,366	417,757	(46,609)
	1,434,411	1,446,339	1,389,940	(56,399)
<i>After school instructional program</i>				
Salaries	99,884	118,770	118,769	(1)
Other	22,907	31,708	31,705	(3)
	122,791	150,478	150,474	(4)

See report of Independent auditors

(Continued on next page)

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance
<i>Carrington Pavilion</i>				
Salaries	20,000	19,959	15,267	(4,692)
Other	69,350	38,544	20,486	(18,058)
	89,350	58,503	35,753	(22,750)
<i>Recreation buildings - maintenance</i>				
Salaries	104,463	78,898	41,471	(37,427)
Other	300,355	324,746	306,572	(18,174)
	404,818	403,644	348,043	(55,601)
<i>Recreation grounds - maintenance</i>				
Salaries	361,021	351,521	326,583	(24,938)
Other	514,699	634,364	621,812	(12,552)
	875,720	985,885	948,395	(37,490)
<b>Total parks and recreation</b>	<b>2,927,090</b>	<b>3,044,849</b>	<b>2,872,605</b>	<b>(172,244)</b>
<b>Cultural enrichment</b>				
<i>Tourism and preservation</i>				
Salaries	200,034	164,018	164,016	(2)
Other	191,239	248,319	247,836	(483)
	391,273	412,337	411,852	(485)
<b>Public libraries</b>				
Salaries	456,161	428,565	427,015	(1,550)
Other	521,803	553,816	509,747	(44,069)
<b>Total public libraries</b>	<b>977,964</b>	<b>982,381</b>	<b>936,762</b>	<b>(45,619)</b>
<b>Total Parks, Recreation, and Cultural</b>	<b>4,296,327</b>	<b>4,439,567</b>	<b>4,221,219</b>	<b>(218,348)</b>
<b>Community Development</b>				
<b>Planning and community development</b>				
<i>Director of community development</i>				
Salaries	172,265	176,244	176,244	-
Other	76,080	89,513	78,518	(10,995)
	248,345	265,757	254,762	(10,995)
<i>Economic development</i>				
Salaries	211,152	215,272	215,272	-
Other	216,233	248,168	238,437	(9,731)
	427,385	463,440	453,709	(9,731)
<i>Enterprise zone activities</i>				
Other	108,000	133,623	112,183	(21,440)
<i>Planning</i>				
Salaries	130,159	134,064	134,064	-
Other	49,406	54,006	45,713	(8,293)
	179,565	188,070	179,777	(8,293)
<i>Planning commission</i>				
Other	6,100	6,640	4,450	(2,190)

See report of Independent auditors

(Continued on next page)



**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance
<i>West Piedmont Planning District</i>				
Other	22,285	22,285	21,990	(295)
<i>Zoning board</i>				
Other	4,580	5,140	3,839	(1,301)
Total planning and community development	996,260	1,084,955	1,030,710	(54,245)
<i>Virginia Cooperative Extension</i>				
Other	25,567	25,567	22,601	(2,966)
<b>Total Community Development</b>	<b>1,021,827</b>	<b>1,110,522</b>	<b>1,053,311</b>	<b>(57,211)</b>
<b>Nondepartmental</b>				
Employee benefits	4,064,500	4,079,530	3,861,787	(217,743)
<b>Non-Departmental</b>	<b>1,127,671</b>	<b>199,734</b>	<b>-</b>	<b>(199,734)</b>
<b>Debt Service</b>				
Principal	3,933,293	3,933,293	3,516,046	(417,247)
Interest	1,926,960	1,926,960	1,886,516	(40,444)
<b>Total Nondepartmental</b>	<b>11,052,424</b>	<b>10,139,517</b>	<b>9,264,349</b>	<b>(875,168)</b>
<b>Total General Fund Expenditures</b>	<b>\$ 84,317,961</b>	<b>\$ 86,687,105</b>	<b>\$ 80,881,074</b>	<b>\$ (5,806,031)</b>

See report of Independent auditors

**June 30, 2005**

---

***Budgets and Budgetary Accounting***

Prior to April 1, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means to finance them. After a public hearing has been conducted to obtain taxpayer comments, the budget is legally adopted through passage of an ordinance prior to July 1 of each year.

The City Manager is authorized to transfer budgeted amounts within each fund. Transfers between funds require City Council approval.

An annual operating budget is adopted for only the General Fund. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles accepted in the United States of America on a basis consistent with the legally adopted budget as amended. Effective budgetary control is achieved for the Capital Projects Fund and Special Revenues Funds, on a project-by-project or per grant basis when funding sources become available.

Budgets are adopted for management control for the Enterprise and Internal Services Funds. The restrictions on transfer of budgeted amounts for governmental funds also apply to the Enterprise and Internal Service Funds, except in the Gas and Electric Funds. Amounts in those funds budgeted for the purchase of natural gas and electric power may be increased to the extent that actual revenues exceed the original budgeted revenue.

All appropriations lapse at year end except appropriations within the Capital Projects Fund and Special Revenue Funds, which are continued until completion of the applicable projects or grants, even when such projects or grants extend beyond one fiscal year.



# OTHER SUPPLEMENTARY INFORMATION

# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

- ❖ Special Revenue Funds - used to account for specific revenues that are legally restricted to expenditures for specified purposes.
- ❖ Cemetery Maintenance Fund - is a permanent fund used to account for funds set aside to provide for the perpetual care of City cemeteries. Only the earnings from the investments of this fund may be expended.

**BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2005

	Special Revenue	Cemetery Maintenance	Total
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 2,430,437	\$ 2,430,437
Receivables - net			
Accounts	4,917	-	4,917
Loans	27,507	-	27,507
Due from other governments	1,472,608	-	1,472,608
<b>Total assets</b>	<b>\$ 1,505,032</b>	<b>\$ 2,430,437</b>	<b>\$ 3,935,469</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 334,944	\$ -	\$ 334,944
Due to other funds	625,348	-	625,348
Deferred revenue	27,507	-	27,507
<b>Total liabilities</b>	<b>987,799</b>	<b>-</b>	<b>987,799</b>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances	244,380	-	244,380
Cemetery maintenance	-	2,430,437	2,430,437
Unreserved	272,853	-	272,853
<b>Total fund balances</b>	<b>517,233</b>	<b>2,430,437</b>	<b>2,947,670</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,505,032</b>	<b>\$ 2,430,437</b>	<b>\$ 3,935,469</b>

See report of independent auditors

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2005			
	Special Revenue	Cemetery Maintenance	Total
<b>REVENUES</b>			
Revenue from use of money and property	\$ -	\$ 79,695	\$ 79,695
Miscellaneous	313,100	58,820	371,920
Intergovernmental	3,673,067	-	3,673,067
<b>Total revenues</b>	<b>3,986,167</b>	<b>138,515</b>	<b>4,124,682</b>
<b>EXPENDITURES</b>			
General government	7,434	-	7,434
Judicial administration	50,924	-	50,924
Public safety	758,938	-	758,938
Public works	796,320	-	796,320
Health and welfare	2,400,912	-	2,400,912
Parks, recreation, and cultural	612,643	-	612,643
<b>Total expenditures</b>	<b>4,627,171</b>	<b>-</b>	<b>4,627,171</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(641,004)</b>	<b>138,515</b>	<b>(502,489)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	860,024	-	860,024
Transfers out	-	(138,515)	(138,515)
<b>Total other financing sources (uses)</b>	<b>860,024</b>	<b>(138,515)</b>	<b>721,509</b>
<b>Net change in fund balances</b>	<b>219,020</b>	<b>-</b>	<b>219,020</b>
Fund balances - beginning of year	298,213	2,430,437	2,728,650
Fund balances - end of year	\$ 517,233	\$ 2,430,437	\$ 2,947,670

*See report of independent auditors*

# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Nonmajor Enterprise Funds

For the Year Ended June 30, 2005

- ❖ Transportation - provides mass transit service throughout the City.
- ❖ Sanitation - provides for the collection and disposal of solid waste.
- ❖ Cemetery Operations – provides for burial services and cemetery maintenance.



## COMBINING BALANCE SHEET-NONMAJOR ENTERPRISE FUNDS

June 30, 2005

	Transportation	Sanitation	Cemetery Operations	Total
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ -	\$ 139,070	\$ 25,644	\$ 164,714
Receivables - net	7,064	-	-	7,064
Due from other governments	646,475	-	-	646,475
Pension asset	13,824	169,476	-	183,300
<b>Total current assets</b>	<b>667,363</b>	<b>308,546</b>	<b>25,644</b>	<b>1,001,553</b>
Noncurrent assets				
Capital assets:				
Land and improvements	-	509,232	-	509,232
Buildings, structures, and improvements	923,206	1,601,809	-	2,525,015
Equipment	1,663,478	361,390	-	2,024,868
Less - accumulated depreciation	(1,353,357)	(1,840,651)	-	(3,194,008)
<b>Total noncurrent assets - net</b>	<b>1,233,327</b>	<b>631,780</b>	<b>-</b>	<b>1,865,107</b>
<b>Total assets</b>	<b>1,900,690</b>	<b>940,326</b>	<b>25,644</b>	<b>2,866,660</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	6,021	72,450	4,525	82,996
Accrued interest	51	1,023	-	1,074
Due to primary government	443,586	-	-	443,586
Pension liability	-	-	5,330	5,330
Long-term liabilities - due within one year	15,867	67,384	-	83,251
<b>Total current liabilities</b>	<b>465,525</b>	<b>140,857</b>	<b>9,855</b>	<b>616,237</b>
Long-term liabilities - due in more than one year	8,689	94,095	16,258	119,042
<b>Total liabilities</b>	<b>474,214</b>	<b>234,952</b>	<b>26,113</b>	<b>735,279</b>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	1,227,969	529,272	-	1,757,241
Unrestricted	198,507	176,102	(469)	374,140
<b>Total net assets</b>	<b>\$ 1,426,476</b>	<b>\$ 705,374</b>	<b>\$ (469)</b>	<b>\$ 2,131,381</b>

See report of independent auditors

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS**

<b>Year Ended June 30, 2005</b>				
	Transportation	Sanitation	Cemetery Operations	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 233,002	\$ 2,998,880	\$ 336,610	\$ 3,568,492
<b>OPERATING EXPENSES</b>				
Services	980,603	3,081,348	644,805	4,706,756
Depreciation	115,652	75,806	-	191,458
<b>Total operating expenses</b>	<b>1,096,255</b>	<b>3,157,154</b>	<b>644,805</b>	<b>4,898,214</b>
<b>Operating loss</b>	<b>(863,253)</b>	<b>(158,274)</b>	<b>(308,195)</b>	<b>(1,329,722)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Sales income	-	-	168,815	168,815
Rental income	7,925	9,064	-	16,989
Recovered cost	9,688	-	-	9,688
Loss on sale of assets	(57,895)	-	-	(57,895)
Federal and state grants	834,370	-	-	834,370
In-kind contributions	110,763	-	-	110,763
Interest income	396	6,750	396	7,542
Interest expense	(165)	(3,276)	-	(3,441)
<b>Total nonoperating revenues</b>	<b>905,082</b>	<b>12,538</b>	<b>169,211</b>	<b>1,086,831</b>
<b>Income (loss) before transfers</b>	<b>41,829</b>	<b>(145,736)</b>	<b>(138,984)</b>	<b>(242,891)</b>
<b>Transfers</b>				
Transfer in from general fund	141,607	-	138,515	280,122
<b>Change in net assets</b>	<b>183,436</b>	<b>(145,736)</b>	<b>(469)</b>	<b>37,231</b>
<b>Net assets - beginning of year</b>	<b>1,243,040</b>	<b>851,110</b>	<b>-</b>	<b>2,094,150</b>
<b>Net assets - end of year</b>	<b>\$ 1,426,476</b>	<b>\$ 705,374</b>	<b>\$ (469)</b>	<b>\$ 2,131,381</b>

See report of independent auditors

## COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS

Year Ended June 30, 2005

	Transportation	Sanitation	Cemetery Operations	Total
Cash flows from operating activities				
Received from customers	\$ 233,950	\$ 2,998,880	\$ 336,610	\$ 3,569,440
Payments to suppliers for goods and services	(18,763)	(1,518,868)	(48,175)	(1,585,806)
Payments to employees for services	(561,323)	(1,278,070)	(472,783)	(2,312,176)
Payments to internal service funds for goods and services	(4,491)	(266,765)	(97,734)	(368,990)
Nonoperating revenue	17,613	9,064	168,815	195,492
Net cash from operating activities	(333,014)	(55,759)	(113,267)	(502,040)
Cash flows from noncapital financing activities				
Transfers from other funds	141,607	-	138,515	280,122
Operating grants received	596,100	-	-	596,100
Net cash from noncapital financing activities	737,707	-	138,515	876,222
Cash flows from capital and related financing activities				
Acquisition of capital assets	(407,422)	-	-	(407,422)
Principal payments on long-term debt	(1,105)	(21,971)	-	(23,076)
Interest payments on long-term debt	(165)	(3,556)	-	(3,721)
Proceeds from sale of capital assets	3,425	-	-	3,425
Net cash from capital and related financing activities	(405,267)	(25,527)	-	(430,794)
Cash flows from investing activities -				
Interest on investments	396	6,750	396	7,542
Net activity in investment securities	178	881	-	1,059
Net cash from investing activities	574	7,631	396	8,601
Net increase (decrease) in cash and investments	-	(73,655)	25,644	(48,011)
Cash and investments - beginning of year	-	212,725	-	212,725
Cash and investments - end of year	\$ -	\$ 139,070	\$ 25,644	\$ 164,714
Reconciliation of operating income (loss) to net cash from operating activities				
Operating loss	\$ (863,253)	\$ (158,274)	\$ (308,195)	\$ (1,329,722)
Adjustments:				
Depreciation charged to operations	115,652	75,806	-	191,458
In-kind contributions	110,763	-	-	110,763
Change in noncash employee benefits charged to operations	9,817	17,825	21,588	49,230
Nonoperating revenue	17,613	9,064	168,815	195,492
Changes in assets and liabilities:				
Accounts receivable	948	-	-	948
Accounts payable	(60,973)	(180)	4,525	(56,628)
Due to primary government	336,419	-	-	336,419
Net cash from operating activities	\$ (333,014)	\$ (55,759)	\$ (113,267)	\$ (502,040)
Supplemental disclosure of noncash investing, capital, and financing activities:				
Increase in fair value of investments	\$ 133	\$ 978	\$ 133	\$ 1,244

See report of independent auditors

# **CITY OF DANVILLE, VIRGINIA**

## **Combining Statements**

### **Internal Service Funds**

**For the Year Ended June 30, 2005**

- ❖ Motorized Equipment - acquires and maintains all vehicles used by the various departments of the City.
- ❖ Central Services - provides office supplies and printing services for all departments of the City.
- ❖ Insurance - provides general insurance coverage to all City departments, including areas such as workers' compensation where the City is completely self-insured, and insurance coverage purchased from outside insurance companies.

## COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2005

	Motorized Equipment	Central Printing	Insurance	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ -	\$ 39,792	\$ 3,884,863	\$ 3,924,655
Cash and investments - held by fiscal agent	-	-	59,990	59,990
Receivables - net	-	1,749	-	1,749
Inventories	-	104,687	-	104,687
Pension asset	41,622	8,139	-	49,761
<b>Total current assets</b>	<b>41,622</b>	<b>154,367</b>	<b>3,944,853</b>	<b>4,140,842</b>
<b>Noncurrent assets</b>				
Capital assets:				
Equipment	9,104,397	210,589	-	9,314,986
Less - accumulated depreciation	(6,804,685)	(179,781)	-	(6,984,466)
<b>Total noncurrent assets</b>	<b>2,299,712</b>	<b>30,808</b>	<b>-</b>	<b>2,330,520</b>
<b>Total assets</b>	<b>2,341,334</b>	<b>185,175</b>	<b>3,944,853</b>	<b>6,471,362</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	28,966	5,868	-	34,834
Accrued interest	1,672	-	-	1,672
Due to other governments	59,374	-	-	59,374
Long-term liabilities - due within one year	38,465	-	-	38,465
<b>Total current liabilities</b>	<b>128,477</b>	<b>5,868</b>	<b>-</b>	<b>134,345</b>
Long-term liabilities - due in more than one year	152,508	2,863	-	155,371
<b>Total liabilities</b>	<b>280,985</b>	<b>8,731</b>	<b>-</b>	<b>289,716</b>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	2,132,256	30,808	-	2,163,064
Unrestricted	(71,907)	145,636	3,944,853	4,018,582
<b>Total net assets</b>	<b>\$ 2,060,349</b>	<b>\$ 176,444</b>	<b>\$ 3,944,853</b>	<b>\$ 6,181,646</b>

See report of independent auditors

	FY 2005	FY 2004
Estimated claims payable at beginning of period	\$ 1,959,800	\$ 2,406,677
Current fiscal year claims, changes in estimates, and payouts	1,974,064	99,200
Claim payments	(1,064,464)	(546,077)
Estimated claims payable at end of period	\$ 2,869,400	\$ 1,959,800

## 7. Long-Term Debt

### A. Bonds Payable

The schedule below represents all bonds payable in the Governmental and Enterprise funds, for the year ended June 30, 2005:

CITY OF DANVILLE					
Description	Original Issue	Annual Amount	Interest Rate	Maturity	Outstanding June 30, 2005
<b>General Obligation and Section 10 Bonds</b>					
General Improvements 87-88	\$ 1,000,000	\$ 50,000	6.00 - 8.00	% 12/1/07	\$ 150,000
School Series 1991B	2,688,260	92,300 - 174,163	4.85 - 6.60	7/15/11	1,106,167
School Series 2001B	6,512,513	296,368 - 371,160	3.10 - 5.10	7/15/21	5,617,254
School Series 2001B	5,210,006	237,088 - 296,928	3.10 - 5.10	7/15/21	4,493,805
School Series 2001B - Loan	2,500,000	125,000	3.10 - 5.10	7/15/21	2,125,000
School Referendum 92-93	12,100,000	385,000 - 940,000	2.70 - 5.625	8/1/13	615,000
General Improvements 95-96	7,500,000	375,000	4.80 - 6.00	5/1/16	750,000
General Improvements 96-97	6,550,000	330,000	4.875 - 5.50	3/1/17	1,310,000
General Improvements & Refunding 97-98	19,035,000	775,000 - 1,630,000	4.25 - 5.00	4/1/18	11,400,000
General Improvements 98-99	4,100,000	205,000	3.75 - 5.00	3/1/19	2,870,000
General Improvements 01-02	16,960,000	130,000 - 1,645,000	2.32 - 5.00	8/1/14	15,745,000
General Improvements 2003A	9,675,000	1,040,000 - 1,760,000	2.00 - 3.00	8/1/09	8,015,000
General Improvements 2003B	5,595,000	450,000 - 665,000	3.00 - 4.00	2/1/14	5,145,000
General Improvements 2004A	8,220,000	125,000 - 1,000,000	2.00 - 4.00	5/1/17	8,095,000
	<u>\$ 107,645,779</u>				<u>67,437,226</u>
<b>Revenue Bonds</b>					
Utility Revenue Refunding 93-94	\$ 1,645,000	45,000 - 130,000	2.60 - 5.30	10/1/07	221,250
Utility Revenue 93-94	2,900,000	47,228 - 110,003	4.50	6/1/14	1,633,114
Utility Revenue 94-95	300,000	12,829 - 19,148	4.50	6/1/14	158,324
Utility Revenue 96-97	7,300,000	295,838	4.50	2/1/19	4,968,941
	<u>\$ 12,145,000</u>				<u>6,981,629</u>
<b>Total Outstanding Bonds</b>					<b>\$ 74,418,855</b>

Debt service on the preceding long-term bonds in future years is as follows:

**Principal:**

Fiscal Year Ending June 30,	General Obligation and Section 10 Bonds	Revenue Bonds	Total
2006	\$ 7,129,714	\$ 640,388	\$ 7,770,102
2007	7,255,988	641,355	7,897,343
2008	7,367,639	575,026	7,942,665
2009	7,513,204	557,658	8,070,862
2010	6,955,051	564,259	7,519,310
2011-2015	23,241,380	2,692,690	25,934,070
2016-2020	6,395,107	1,310,253	7,705,360
2021-2025	1,579,143	-	1,579,143
	<u>\$ 67,437,226</u>	<u>\$ 6,981,629</u>	<u>\$ 74,418,855</u>

**Interest:**

Fiscal Year Ending June 30,	General Obligation and Section 10 Bonds	Revenue Bonds	Total
2006	\$ 2,681,342	\$ 267,776	\$ 2,949,118
2007	2,429,761	242,103	2,671,864
2008	2,173,964	216,425	2,390,389
2009	1,900,710	194,366	2,095,076
2010	1,615,180	173,348	1,788,528
2011-2015	4,354,479	545,078	4,899,557
2016-2020	1,040,581	121,888	1,162,469
2021-2025	72,855	-	72,855
	<u>\$ 16,268,872</u>	<u>\$ 1,760,984</u>	<u>\$ 18,029,856</u>

Debt service for notes payable, reimbursement agreements, and capital lease obligations in future years is as follows:

**Principal:**

Fiscal Year Ending June 30,	Capital Leases	Notes Payable	Reimbursement Agreements	Total
2006	\$ 794,060	\$ 200,000	\$ 462,496	\$ 1,456,556
2007	817,871	200,000	462,496	1,480,367
2008	835,961	200,000	462,496	1,498,457
2009	858,350	200,000	427,790	1,486,140
2010	883,836	-	-	883,836
2011-2015	4,377,174	-	-	4,377,174
2016-2020	3,274,737	-	-	3,274,737
	<u>\$ 11,841,989</u>	<u>\$ 800,000</u>	<u>\$ 1,815,278</u>	<u>\$ 14,457,267</u>

**Interest on Notes Payable and Capital Leases:**

Fiscal Year Ending June 30,	Capital Leases	Notes Payable	Total
2006	\$ 602,612	\$ 40,390	\$ 643,002
2007	563,923	28,970	592,893
2008	525,218	17,440	542,658
2009	481,429	5,830	487,259
2010	438,470	-	438,470
2011-2015	1,493,599	-	1,493,599
2016-2020	409,090	-	409,090
	<u>\$ 4,514,341</u>	<u>\$ 92,630</u>	<u>\$ 4,606,971</u>

**B. Governmental Obligation**

The following table is a summary of the changes in long-term liabilities that are recorded in the Statement of Net Assets ended June 30, 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due within 1 year
General obligation bonds	\$ 39,134,900	\$ -	\$ 3,468,126	\$ 35,666,774	\$ 3,560,805
Notes payable	1,000,000	-	200,000	800,000	200,000
Reimbursement agreements	666,851	499,503	157,596	1,008,758	240,847
Capital lease obligations	12,668,654	-	826,665	11,841,989	994,059
Compensated absences	1,292,753	1,560,459	1,505,124	1,348,088	1,348,088
Worker's compensation	1,622,600	1,213,184	234,384	2,601,400	234,389
Other bond related items	1,428,569	-	614,647	813,922	-
Net pension asset	(2,576,901)	2,610,626	2,174,615	(2,140,890)	-
	<u>\$ 55,237,426</u>	<u>\$ 5,883,772</u>	<u>\$ 9,181,157</u>	<u>\$ 51,940,041</u>	<u>\$ 6,578,188</u>

Compensated absences and workers' compensation are typically paid from the General Fund.

**C. Enterprise Debt**

Following is a summary of the changes in long-term liabilities that are recorded in the Enterprise Funds for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due within 1 year
General obligation bonds	\$ 35,216,121	\$ -	\$ 3,445,669	\$ 31,770,452	\$ 3,568,909
Revenue bonds	7,628,686	-	647,057	6,981,629	640,388
Reimbursement agreements	637,347	169,173	-	806,520	221,649
Compensated absences	366,446	518,609	474,973	410,082	457,496
Workers' compensation	337,200	-	69,200	268,000	32,379
Bond related items	(1,267,265)	-	(189,084)	(1,078,181)	-
	<u>\$ 42,918,535</u>	<u>\$ 687,782</u>	<u>\$ 4,447,815</u>	<u>\$ 39,158,502</u>	<u>\$ 4,920,821</u>



#### **D. General Obligation Debt Limit**

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property on the amount of general obligation borrowing which a City may issue. The City of Danville has independently set a lower debt limit of 7.5% of the assessed valuation. As of June 30, 2005, the City's aggregate general obligation indebtedness is approximately \$45 million less than the City's limit and \$89 million less than the Commonwealth's limit as summarized below.

	Legal Debt Margin
Assessed value (as of June 30, 2005) - taxable real property, including public service corporations	<u>\$ 1,864,447,500</u>
Legal debt limits:	
10% of assessed value (authorized by the Commonwealth for all cities)	\$ 186,444,750
Deduct amount of debt applicable to debt limit: Gross general debt*	<u>67,437,227</u>
Legal debt margin	<u>\$ 119,007,523</u>

\*Debt applicable to debt limit excludes Revenue Bonds due to Section 10, Article VII of the Constitution of Virginia.

#### **E. Component Units**

Following is a summary of the changes in long-term liabilities that are recorded in the Danville Public Schools for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due within 1 year
Early retirement plans	\$ 2,971,853	\$ 970,572	\$ 1,122,136	\$ 2,820,289	\$ 932,512
Employee benefits	1,115,850	418,343	540,436	993,757	540,436
Contracts payable	433,458	-	138,161	295,297	144,392
	<u>\$ 4,521,161</u>	<u>\$ 1,388,915</u>	<u>\$ 1,800,733</u>	<u>\$ 4,109,343</u>	<u>\$ 1,617,340</u>

Debt service on the preceding component unit's early retirement plans and contracts payable for future years are as follows:

Fiscal Year Ending June 30,	Early Retirement		Contracts Payable	
	Principal	Interest	Principal	Interest
2006	\$ 932,512	\$ 112,878	\$ 144,392	\$ 13,318
2007	687,902	109,181	150,905	6,805
2008	496,416	101,287	-	-
2009	381,972	94,308	-	-
2010	240,791	68,842	-	-
2011-2015	80,696	30,994	-	-
	<u>\$ 2,820,289</u>	<u>\$ 517,490</u>	<u>\$ 295,297</u>	<u>\$ 20,123</u>

Following is a summary of the changes in the long-term liability that is recorded in the Industrial Development Authority for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
Deeds of trust payable	\$ 3,116,776	\$ 8,175,000	\$ 69,174	\$ 11,222,602

Debt service on the preceding component unit's deeds of trust payable for future years are as follows:

Fiscal Year Ending June 30,	Principal
2006	\$ 234,898
2007	248,243
2008	262,380
2009	277,325
2010	290,255
2011-2015	9,909,501
	<u>\$ 11,222,602</u>

## 8. Transfers

Funds are transferred each year from the General Fund to the Capital Projects Fund, Insurance Fund, and the Transportation Fund. The Capital Projects Fund and the Insurance Fund operate for the benefit of the City. The Transportation Fund is operated as an enterprise fund but the City has historically subsidized this fund since it is for the benefit of the citizens of Danville.

The chart below details the activities between funds of the City for the year ended June 30, 2005.

	Transfers In	Transfers Out	Net Transfers
<b>Governmental Funds - Exhibit D</b>			
General	\$ 10,985,896	\$ (6,224,132)	\$ 4,761,764
Capital projects	5,222,500	-	5,222,500
Special revenue	860,024	-	860,024
Insurance	-	(300,000)	(300,000)
Cemetery maintenance	-	(138,515)	(138,515)
	<u>\$ 17,068,420</u>	<u>\$ (6,662,647)</u>	<u>\$ 10,405,773</u>
<b>Enterprise Funds - Exhibit E</b>			
Gas	\$ -	\$ (2,475,484)	\$ (2,475,484)
Electric	-	(8,210,411)	(8,210,411)
Transportation	141,607	-	141,607
Cemetery operations	138,515	-	138,515
	<u>\$ 280,122</u>	<u>\$ (10,685,895)</u>	<u>\$ (10,405,773)</u>

Primary transfer activities include:

Transfers from the General Fund to the Capital Projects fund represents the City's budgeted pay-as-you go funding.

Transfers from the General Fund to the Special Revenue Fund represent City funds required to match grant program resources.

Transactions with the Enterprise Funds represent contributions from these funds to support the City's operations.

#### 9. Interfund Receivables/Payables

Interfund receivables and payables of individual funds result primarily from cash disbursements made by one fund for expenditures of another. The amounts due at June 30, 2005 are as follows:

##### Governmental Funds

	Interfund Receivable	Interfund Payable
City of Danville:		
General fund	\$ 1,418,161	\$ -
Community Development fund	-	792,813
Nonmajor fund:		
Special Revenue fund	-	625,348
	<u>\$ 1,418,161</u>	<u>\$ 1,418,161</u>

##### Component Unit

Danville Public Schools:		
General fund	\$ -	\$ 641,310
Capital projects fund	95,341	68,939
Special grants fund	482,653	-
Nonmajor funds:		
Textbook	62,451	-
Cafeteria	-	2,355
Health insurance	72,159	-
	<u>\$ 712,604</u>	<u>\$ 712,604</u>

The primary reason for interfund receivables and payables due at June 30, 2005 are as follows:

Interfund receivable to the General Fund from the Community Development Fund and the Special Revenue Fund represent funds advanced from the General Fund for expenditures which will be received in the next fiscal year from state and federal grants.

Interfund payable from the General Fund to the Special Grants Fund represent amounts expended for the localities matching portion of state and federal grants.

## 10. Due From Other Governments

	City of Danville	Enterprise Funds	Danville Public Schools
Commonwealth of Virginia -			
State grants	\$ 2,716,557	\$ 43,867	\$ 889,963
Sales taxes	574,355	-	-
Highway maintenance	1,852,574	-	-
Shared expenses	329,140	-	-
Social services	323,093	-	-
	<u>5,795,719</u>	<u>43,867</u>	<u>889,963</u>
Federal government -			
Federal grants	<u>1,512,504</u>	<u>602,608</u>	<u>2,191,397</u>
	<u>\$ 7,308,223</u>	<u>\$ 646,475</u>	<u>\$ 3,081,360</u>

## 11. Retirement Plans

The City participates in two public employee retirement systems. Part I of this note details the Employees' Retirement System of the City of Danville (ERS), and Part II details the Virginia Retirement System (VRS). Disclosures concerning the Danville Public School's participation in the Virginia Retirement System is also included in Part II of this note.

The City follows Governmental Accounting Standards Board Statement No. 27 (GASB 27) – *Accounting for Pensions by State and Local Government Employers*. The Statement establishes standards for the measurement, recognition and display of pension expenditures and related liabilities, assets and note disclosures.

### I. Employees' Retirement System of the City of Danville

#### A. *Plan Description*

The Employees' Retirement System of the City of Danville was established on January 1, 1946, and was placed under the management of a Board of Trustees for the purpose of providing retirement, disability, and death benefits for full-time permanent employees in accordance with Chapter 32 of the Danville City Code. The City makes contributions to the ERS, which acts as administrator of this single-employer defined benefit pension plan.

The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Employees Retirement System of the City of Danville, PO Box 3300, Danville, Virginia 24543.

All full-time employees of the City, excluding Danville Public Schools employees and elected officials and their employees (who are covered under the Virginia Retirement System) are eligible to participate. Upon becoming a regular, full-time employee of the City, each employee is classified as a "general employee" or as a "public safety employee" (policeman or fireman). The two employee classes have different pension benefits and early service retirement allowances. As of June 30, 2005, employee membership in the ERS was as follows:

	General Employees	Public Safety Employees	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	431	140	571
Active plan participants:			
Vested	454	182	636
Nonvested	222	58	280
	676	240	916

The pension plan provides retirement, disability, and death benefits. After 5 years of creditable service, general employees who attain the age of 65 or who accumulated at least 30 years of creditable service and attain the age of 55 may retire with full benefits. Public safety employees who attain the age of 60 or who accumulated at least 30 years of creditable service and attain the age of 55 may retire with full benefits.

For general employees, the retirement allowance consists of an annuity equal to the amount provided by the contributions of the member up to the time of his or her retirement, plus a pension which will total an amount equal to 1/55<sup>th</sup> of the highest consecutive 3 years average salary, multiplied by the number of years of creditable service prior to January 1, 1956 (but not before January 1, 1946), plus 1.42% of the part of such compensation in excess of \$9,500, plus 1.82% of the part of such compensation in excess of \$9,500 multiplied by the number of years of creditable service after December 31, 1955. A general employee with at least 5 years of service may retire early after reaching the age of 55 and receive reduced benefits.

The retirement allowance for a public safety employee, if hired before October 1, 1991, consists of an annuity equal to the amount provided by the contributions of the member up to the time of his or her retirement, plus a pension which will total an amount equal to 1/50<sup>th</sup> of the final 3 years average salary multiplied by the number of years of creditable service after December 31, 1945. A public safety employee with at least 5 years of service may retire early after reaching the age of 55 and receive reduced benefits. A member with creditable service prior to January 1, 1946 receives an additional pension.

Pension provisions include disability benefits whereby a member who becomes totally and permanently incapacitated and who has completed 5 years of creditable service is eligible to receive a disability retirement allowance. The allowance begins at the time of the disability and is based on creditable service to date and a projection of creditable service assuming no disability. The allowance is offset by any workers' compensation benefits.

If, after 5 years of service, an active member should die at any time prior to retirement, an allowance shall be payable to either the spouse, minor child, or parent of the member. Such retirement allowance will be continued during the lifetime of such person, or in the case of a minor child, until such time as the child dies or attains majority. The beneficiary may elect to receive the member's accumulated contributions with interest in lieu of any other benefits under the ERS.

The Board of Trustees, based on actuarial estimates of future plan benefits to be paid, establishes contributions by active members. Since March 1, 1979, the City has assumed payment for the employees' contributions. Contributions for employees hired after September 30, 1991 are considered to be 100% City contributions. These contributions, like the City portion of pre-October 1, 1991 employees, vest after 5 years of creditable service. The contribution rate for employees hired before October 1, 1991 is currently 5% of earnable compensation for general employees and 6.5% of earnable compensation for public safety employees. The portion of contributions to the plan made by the City on behalf of these members vests immediately with the employees. The remainder of the contributions vests after 5 years of creditable service.

For the year ended June 30, 2005, the City's total payroll for all employees was \$38,468,640, and the City's total covered payroll amounted to \$31,401,461 of which \$23,339,093 was for general

employees and \$8,062,368 was for public safety employees. Covered payroll refers to all compensation paid by the City to active employees covered by the ERS on which contributions to the plan are based.

## **B. Summary of Significant Accounting Policies**

**Basis of Accounting.** The financial statements of the ERS are prepared on the accrual basis of accounting. Contributions from the City are recognized as revenue in the period in which the employees provide services to the City. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment income is recognized as it is earned. The net appreciation or depreciation in the fair value of investments held by the ERS is recorded as an increase or decrease in investment income based on the valuation of investments as of the date of the balance sheet.

**Investments.** Investments are reported at fair value. Temporary cash investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at quoted market prices as of the date of the balance sheet. The fair value of the real estate - timberland, is based on an independent appraisal.

## **C. Funding Policy**

The contribution requirement of plan members and the City are established by the ERS' Board of Trustees, based on actuarial estimates of future plan benefits to be paid. The contribution rate for general employees is 5% of their annual covered salary and 6.5% for public safety employees. The City has paid the employee's portion of the contributions since 1979. Total contributions to the ERS for the year ended June 30, 2005 amounted to \$2,538,686 of which the City, on behalf of its employees, paid \$806,323. The contributed amounts were based on an actuarial valuation. Contributions made by the City represents 5.0% on behalf of its employees that were employed before October 1991, and contributions made by the City on behalf of its employees represent 2.57% of covered payroll for the year for a total of 7.57%.

## **D. Annual Pension Cost and Net Pension Obligation**

The annual pension cost at June 30, 2005 was \$3,105,880, and the contributions made by the City were \$2,538,686. The increase of \$567,194 is subtracted from the prior year's balance of \$3,364,505 for a total asset of \$2,847,065. At year-end June 30, 2005, the Enterprise Funds had recorded a net pension asset of \$656,421. In accordance with GASB 27, the General Fund asset of \$2,576,901 has been recorded in the Statement of Net Assets.

### **Three-Year Trend Information**

Actuarial Date	City Supplemental		
	06/30/03	06/30/04	06/30/05
Annual Pension Cost (APC)	\$ 1,905,055	\$ 2,305,956	\$ 3,105,880
Percentage of APC Contributed	125.30%	105.00%	122.34%
Net Pension Asset	\$ 3,269,470	\$ 3,352,808	\$ 2,797,311

The annual required contribution for the current year was determined as part of the June 30, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 3% per year. Both (a) and (b) included an inflation component of 2%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of

projected payroll on an open basis. The remaining amortization period at June 30, 2005 was 30 years.

For the year ended June 30, 2005, the City had contributed more than the annual required amount. In accordance with GASB 27, the chart below details the components of the net pension asset.

	<u>Governmental</u>	<u>Enterprise</u>
Annual Required Contribution (ARC)	\$ 2,389,762	\$ 645,260
Interest on beginning Net Pension Obligation (NPO)	(214,829)	(53,111)
Adjustment to ARC	220,864	54,606
Annual Pension Cost	2,395,797	646,755
Contributions made	(1,959,786)	(527,269)
Decrease in NPO	436,011	119,486
Net pension asset - beginning of year	2,576,901	775,907
Net pension asset - end of year	<u>\$ 2,140,890</u>	<u>\$ 656,421</u>

The net pension asset shown above for the enterprise funds is net of the liability. Wastewater has a liability of \$6,298 and Cemetery Operations Fund has a liability of \$5,330 which is applied to the assets of the other enterprise funds of \$668,049 to arrive at the balance shown in the chart above.

#### ***E. Schedule of Funding Progress:***

Actuarial Valuation Date	<u>06/30/03</u>	<u>06/30/04</u>	<u>06/30/05</u>
Actuarial Value of Assets ( a )	\$ 153,776,851	\$ 154,074,366	\$ 155,787,844
Actuarial Accrued Liability (AAL) - Entry Age ( b )	\$ 142,824,210	\$ 151,097,470	\$ 159,755,844
Unfunded (Overfunded) (AAL) (UAAL) ( b - a )	\$ (10,952,641)	\$ (2,976,896)	\$ 3,968,000
Funded Ratio ( a / b )	107.67%	102.00%	97.51%
Covered Payroll ( c )	\$ 30,971,722	\$ 31,645,327	\$ 31,401,461
UAAL as a Percentage of Covered Payroll (( b - a ) / c )	35.40%	9.40%	12.36%

## **II. Virginia Retirement System**

### ***A. Plan Description***

The City of Danville contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer public employee retirement system that acts as common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. There are three separate groups of employees covered under the plan. The first includes "constitutional employees" of the City, which are all employees of the offices of the Sheriff, Commonwealth's Attorney, Clerk of Court, Treasurer, and the Commissioner of Revenue. In addition, professional and nonprofessional employees of the Danville Public Schools are covered by the VRS.

Professional employees participate in a VRS statewide teacher cost sharing pool, and nonprofessional employees participate as a separate group.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at <http://www.varetire.org/pdf/2004AnnuRept.pdf> or writing to the system at P.O. Box 2500, Richmond, VA 23218-2500.

#### **B. Funding Policy**

Employees are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The City and the Danville Public Schools have assumed this 5% member contribution. If an employee leaves covered employment, the accumulated member contributions plus interest earned may be refunded to the employee. The City and the Danville Public Schools are required to contribute the remaining amounts necessary to fund the system using the actuarial basis specified by the VRS Board of Trustees. The Danville Public Schools contribution rate for the fiscal year ended June 30, 2005 was 11.03% (6.03% plus 5% for employees' portion) of annual covered payroll for professional employees and 8% (3% and 5% for employees' portion) for nonprofessional employees.. The City's contribution rate was 11.00% (6% plus 5% for employees' portion).

#### **C. Annual Required Contribution**

For June 30, 2005, the Danville Public School's annual contribution of \$110,333 for nonprofessional and \$3,625,507 for professional employees, and the City's annual contribution of \$426,481 was equal to the required and actual contributions. The contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included, (a) 8.0% investment rate of return, (b) projected salary increases ranging from 4.25% to 6.10% per year, and (c) 3.0% per year cost-of-living adjustments.

	Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City Employees	2005	\$ 426,481	100%	\$
	2004	\$ 454,589	100%	\$ -
	2003	\$ 445,982	100%	\$ -
School Board nonprofessional	2005	\$ 110,333	100%	\$
	2004	\$ 130,441	100%	\$ -
	2003	\$ 129,893	100%	\$ -



Both (a) and (b) included an inflation component of 3.0%. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Danville Public Schools participates in the VRS teacher cost-sharing pool for professional employees.

### **Schedule of Funding Progress**

The following information is from the most recent actuarial valuation (June 30, 2004).

Actuarial Valuation Date	06/30/02	06/30/03	6/30/2004
Actuarial Value of Assets ( a )	\$ 12,149,723	\$ 12,461,612	\$ 12,870,482
Actuarial Accrued Liability (AAL) - Entry Age ( b )	\$ 11,538,079	\$ 12,314,605	\$ 13,059,965
Unfunded (Overfunded) (AAL) (UAAL) ( b - a )	\$ (611,644)	\$ (147,007)	\$ 189,483
Funded Ratio ( a / b )	105.30%	101.19%	98.55%
Covered Payroll ( c )	\$ 3,638,007	\$ 3,387,844	\$ 3,691,908
UAAL as a Percentage of Covered Payroll (( b - a ) / c )	-16.81%	-4.34%	5.13%

### **Notes to Schedules of Employer Contributions and Funding Progress**

	School Board	City
Valuation date	June 30, 2004	June 30, 2004
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth method	3.00 %	3.00 %
Remaining amortization period	6 years	7 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return*	8.00 %	8.00 %
Projected salary increases*	4.25 - 6.10 %	4.25 - 6.10 %
Cost of living adjustments	3.00 %	3.00 %

\*Includes inflation of 3%

The information presented in the schedules of employer contributions and funding progress was determined as part of the actuarial valuations. Additional information from the June 30, 2004, actuarial valuation is above.

### **Deferred Compensation Plan**

The City has a deferred compensation plan for all employees who request participation in the International City Managers Association Retirement Corporation (ICMA-RC) deferred compensation plan. The plan was created in accordance with Internal Revenue Code Section (IRC) 457. Amounts deferred under the plan are remitted on a monthly basis directly to the ICMA-RC, which acts as administrator and fiduciary agent of the plan. Prior to fiscal 1998, the assets of the plan, until paid or

made available to the participants, remained the property of the City and were considered agency funds. Due to tax legislation, the City has amended the plan to comply with the requirements of subsection (g) of IRC Section 457. As a result of this change, the assets of the plan are no longer considered to be assets of the City. Since a fiduciary relationship no longer exists between the City and the plan, the plan's assets are no longer considered agency funds of the City.

## **12. Hedges**

The City utilizes natural gas price hedging during the winter months to stabilize the cost of gas that is charged to its citizens. Hedge contracts are used to lock in the price of gas at a negotiated price that the City believes to be lower than the market price will be at the time the gas purchase will be needed. During the year ended June 30, 2005, the City purchased contracts totaling \$7,930,000 of which they sold \$4,419,000. This sale created a gain of \$618,000 that was used to offset the cost of gas during the period. There were no outstanding hedge contracts at June 30, 2005.

\* \* \* \* \*



REQUIRED SUPPLEMENTARY  
INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION  
& ANALYSIS

## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2005

GENERAL FUND REVENUES	Original Budget	Final Budget	Actual	Variance
<b>Property taxes</b>				
Real property taxes	\$ 14,270,000	\$ 14,270,000	\$ 14,939,504	\$ 669,504
Real and personal public service corporation property taxes	484,700	484,700	447,075	(37,625)
Personal property taxes	9,228,000	9,228,000	8,602,627	(625,373)
Penalties and interest	415,000	415,000	550,832	135,832
<b>Total property taxes</b>	<b>24,397,700</b>	<b>24,397,700</b>	<b>24,540,038</b>	<b>142,338</b>
<b>Local taxes</b>				
Local sales and use taxes	6,950,000	6,950,000	6,941,295	(8,705)
Business license taxes	3,600,000	3,600,000	3,777,830	177,830
Prepared meals taxes	4,000,000	4,000,000	3,971,100	(28,900)
Utility gross receipts taxes	75,000	75,000	-	(75,000)
Consumer utility tax	1,300,000	1,300,000	1,112,884	(187,116)
Franchise license taxes	710,000	710,000	524,892	(185,108)
Motor vehicle license	950,000	950,000	891,092	(58,908)
Bank stock taxes	770,000	770,000	722,847	(47,153)
Taxes on recordation and wills	145,000	145,000	260,067	115,067
Daily property and room rental taxes	481,778	481,778	456,392	(25,386)
Telephone excise taxes	1,835,000	1,835,000	1,739,128	(95,872)
E-911 telephone tax	1,000,000	1,000,000	860,940	(139,060)
<b>Total local taxes</b>	<b>21,816,778</b>	<b>21,816,778</b>	<b>21,258,467</b>	<b>(558,311)</b>
<b>Fines and forfeitures</b>	<b>687,095</b>	<b>687,095</b>	<b>430,796</b>	<b>(256,299)</b>
<b>Permits, privilege fees and regulatory licenses</b>				
Dog tags	5,500	5,500	4,051	(1,449)
Permits and other licenses	191,032	191,032	235,566	44,534
<b>Total permits, privilege fees and regulatory licenses</b>	<b>196,532</b>	<b>196,532</b>	<b>239,617</b>	<b>43,085</b>
<b>Revenue from use of money and property</b>				
Revenue from use of money	450,000	450,000	702,469	252,469
Revenue from the use of property	356,566	356,566	463,887	107,321
Market value adjustment	-	-	(89,574)	(89,574)
<b>Total revenue from use of money and property</b>	<b>806,566</b>	<b>806,566</b>	<b>1,076,782</b>	<b>270,216</b>
<b>Charges for services</b>				
Court costs	8,000	8,000	4,554	(3,446)
Correction and detention	3,389,648	3,502,027	3,221,231	(280,796)
Commonwealth's Attorney	160,000	160,000	160,108	108
Other protection	9,880	9,880	7,845	(2,035)
Parks and recreation	367,350	367,350	234,322	(133,028)
Library	22,795	22,795	30,248	7,453
Planning and community development	1,100	1,100	10,419	9,319
Lot clearing	20,000	20,000	20,017	17
Tax abatement applications	150	150	350	200
<b>Total charges for services</b>	<b>3,978,923</b>	<b>4,091,302</b>	<b>3,689,094</b>	<b>(402,208)</b>

See report of Independent auditors

(Continued on next page)

## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance
<b>Miscellaneous</b>	150,500	149,500	34,117	(115,383)
<b>Recovered costs</b>	3,608,353	3,716,277	4,032,607	316,330
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth</i>				
Non-categorical aid	2,652,000	2,652,000	2,658,655	6,655
Shared expenditures:				
Commonwealth's Attorney	504,123	504,123	521,484	17,361
Sheriff	2,557,229	2,557,229	2,547,747	(9,482)
Commissioner of Revenue	155,548	155,548	141,801	(13,747)
Treasurer	104,866	104,866	123,406	18,540
Medical examiner	1,000	1,000	1,440	440
Registrar and electoral board	46,500	46,500	49,779	3,279
Clerk of Circuit Court	17,000	17,000	32,300	15,300
<b>Total shared expenditures</b>	3,386,266	3,386,266	3,417,957	31,691
Welfare	6,217,404	6,217,404	6,179,456	(37,948)
Other categorical aid:				
Forfeited property	-	23,521	23,521	-
Emergency services	170,045	196,405	252,531	56,126
Juvenile and domestic relations	1,206,052	1,206,052	1,346,737	140,685
Police-DMV	-	4,872	4,872	-
National Guard armory	12,000	12,000	19,703	7,703
Street and highway maintenance	7,323,603	7,323,603	7,410,297	86,694
Library	186,142	186,142	179,242	(6,900)
<b>Total other categorical aid</b>	8,897,842	8,952,595	9,236,903	284,308
<i>Revenue from the federal government:</i>				
Payments in lieu of taxes	3,714	3,714	3,714	-
Law enforcement	-	-	7,840	7,840
Emergency services	24,000	24,000	27,012	3,012
Forfeited property	-	53,134	53,134	-
<b>Total revenue from the federal government</b>	27,714	80,848	91,700	-
<b>Total intergovernmental</b>	21,181,226	21,289,113	21,584,671	295,558
<b>Total General Fund revenues</b>	\$ 76,823,673	\$ 77,150,863	\$ 76,886,189	\$ (264,674)

See report of Independent auditors

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

Year Ended June 30, 2005

GENERAL FUND EXPENDITURES	Original Budget	Final Budget	Actual	Variance
<b>General Government</b>				
<b>Legislative</b>				
<i>City Council</i>				
Salaries	\$ 40,000	\$ 39,999	\$ 39,375	\$ (624)
Other	93,395	93,395	67,627	(25,768)
	133,395	133,394	107,002	(26,392)
<i>Mayor</i>				
Salaries	7,000	7,001	7,000	(1)
Other	4,936	4,936	3,255	(1,681)
	11,936	11,937	10,255	(1,682)
<b>Total legislative</b>	145,331	145,331	117,257	(28,074)
<b>General and financial administration</b>				
<i>City Manager</i>				
Salaries	337,800	352,062	352,061	(1)
Other	136,195	140,195	125,541	(14,654)
	473,995	492,257	477,602	(14,655)
<i>Personnel</i>				
Salaries	271,801	284,969	284,968	(1)
Other	128,605	114,277	111,256	(3,021)
	400,406	399,246	396,224	(3,022)
<i>Occupational health services</i>				
Salaries	59,660	59,660	58,444	(1,216)
Other	63,923	63,923	61,077	(2,846)
	123,583	123,583	119,521	(4,062)
<i>Budget</i>				
Salaries	50,755	52,268	52,268	-
Other	24,217	10,426	10,424	(2)
	74,972	62,694	62,692	(2)
<i>City Attorney</i>				
Salaries	206,127	206,127	203,803	(2,324)
Other	71,045	71,045	68,670	(2,375)
	277,172	277,172	272,473	(4,699)
<i>Independent auditor</i>				
Other	73,400	121,908	121,907	(1)
<i>Public affairs</i>				
Salaries	61,600	56,961	56,960	(1)
Other	22,428	22,479	20,418	(2,061)
	84,028	79,440	77,378	(2,062)
<i>Commissioner of Revenue</i>				
Salaries	293,066	288,501	283,845	(4,656)
Other	81,051	86,328	79,299	(7,029)
	374,117	374,829	363,144	(11,685)
<i>Real estate assessment</i>				
Salaries	264,483	270,420	270,420	-
Other	73,169	71,661	67,039	(4,622)
	337,652	342,081	337,459	(4,622)

See report of Independent auditors

(Continued on next page)

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
INTERNAL SERVICE FUNDS**


---

**Year Ended June 30, 2005**


---

	Motorized Equipment	Central Printing	Insurance	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,227,723	\$ 420,584	\$ 2,133,761	\$ 4,782,068
<b>OPERATING EXPENSES</b>				
Operations	1,931,456	439,961	2,133,761	4,505,178
Depreciation	537,514	8,607	-	546,121
<b>Total operating expenses</b>	<b>2,468,970</b>	<b>448,568</b>	<b>2,133,761</b>	<b>5,051,299</b>
Operating loss	(241,247)	(27,984)	-	(269,231)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on sale of assets	10,409	-	-	10,409
Interest income	3,425	1,703	115,530	120,658
Interest expense	(4,371)	-	-	(4,371)
<b>Total nonoperating revenues (expenses)</b>	<b>9,463</b>	<b>1,703</b>	<b>115,530</b>	<b>126,696</b>
<b>TRANSFER</b>				
Transfer out to General Fund	-	-	(300,000)	(300,000)
<b>Change in net assets</b>	<b>(231,784)</b>	<b>(26,281)</b>	<b>(184,470)</b>	<b>(442,535)</b>
<b>Net assets - beginning of year</b>	<b>2,292,133</b>	<b>202,725</b>	<b>4,129,323</b>	<b>6,624,181</b>
<b>Net assets - end of year</b>	<b>\$ 2,060,349</b>	<b>\$ 176,444</b>	<b>\$ 3,944,853</b>	<b>\$ 6,181,646</b>

See report of independent auditors



## COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

Year Ended June 30, 2005

	Motorized Equipment	Central Printing	Insurance	Total
Cash flows from operating activities				
Received from customers	\$ 2,218,418	\$ 420,324	\$ 2,133,761	\$ 4,772,503
Payments to suppliers for goods and services	(1,851,654)	(330,203)	(2,141,986)	(4,323,843)
Payments to employees for services	(55,075)	(116,380)	-	(171,455)
Payments to internal service funds for goods and services	(37,217)	(4,212)	-	(41,429)
Net cash from operating activities	274,472	(30,471)	(8,225)	235,776
Cash flows from noncapital financing activities				
Transfer to other funds	-	-	(300,000)	(300,000)
Cash flows from capital and related financing activities				
Acquisition of capital assets	(600,809)	(7,699)	-	(608,508)
Principal payments on long-term debt	(35,892)	-	-	(35,892)
Interest payments on long-term debt	(946)	-	-	(946)
Proceeds from sale of capital assets	34,899	-	-	34,899
Net cash from capital and related financing activities	(602,748)	(7,699)	-	(610,447)
Cash flows from investing activities				
Interest on investments	-	1,703	115,530	117,233
Net activity in investments	4,864	-	-	4,864
Net cash from investing activities	4,864	1,703	115,530	122,097
Net decrease in cash and investments	(323,412)	(36,467)	(192,695)	(552,574)
Cash and investments - beginning of year	323,412	76,259	4,137,548	4,537,219
Cash and investments - end of year	\$ -	\$ 39,792	\$ 3,944,853	\$ 3,984,645
Reconciliation of operating loss to net cash from operating activities				
Operating loss	\$ (241,247)	\$ (27,984)	\$ -	\$ (269,231)
Adjustments:				
Depreciation charged to operations	537,514	8,607	-	546,121
Change in noncash employee benefits charged to operations	8,458	11,794	-	20,252
Changes in assets and liabilities:				
Accounts receivable	(80,322)	(260)	-	(80,582)
Inventory of supplies	-	(15,425)	-	(15,425)
Accounts payable	-	(7,203)	(8,225)	(15,428)
Deferred revenue	(9,305)	-	-	(9,305)
Due to other funds	59,374	-	-	59,374
Net cash from operating activities	\$ 274,472	\$ (30,471)	\$ (8,225)	\$ 235,776
Supplemental disclosure of noncash investing, capital and financing activities:				
Increase in fair value of investments	\$ 1,146	\$ 273	\$ 16,224	\$ 17,643

See report of independent auditors.

**SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY****For the Year Ended June 30, 2005**

Function and Activity	Land and Land Improvements	Buildings	Furniture and Equipment	Infrastructure	Total
General government administration:					
General and financial administration	\$ 367,558	\$ 217,116	\$ 584,295	\$ -	\$ 1,148,969
Social services building	-	521,156	-	-	521,156
Public safety:					
Law enforcement and traffic control	-	96,939	437,997	-	534,936
Fire and rescue services	49,218	1,097,130	489,976	-	1,636,324
Corrections and detention	-	9,929,697	-	-	9,929,697
Inspections and other	-	132,851	-	-	132,851
Public works:					
Airport	3,198,128	4,465,542	128,850	-	7,792,520
General	305,000	367,884	265,771	-	938,655
Maintenance of highways, bridges and sidewalks	125,000	-	-	13,708,477	13,833,477
Health and welfare	-	354,134	270,949	-	625,083
Parks, recreation and cultural	-	5,015,520	166,063	-	5,181,583
Community development	27,293	-	-	-	27,293
General property	2,640,618	759,963	108,949	-	3,509,530
	6,712,815	22,957,932	2,432,850	13,708,477	45,812,074
Construction in progress	971,504	600	1,366,315	519,763	2,858,182
	7,684,319	22,958,532	3,799,165	14,228,240	48,670,256
Capital assets from Danville School Board	3,408,072	1,698,011	17,948,058	-	23,054,141
	\$ 11,092,391	\$ 24,656,543	\$ 21,747,223	\$ 14,228,240	\$ 71,724,397

\* All totals are net of depreciation

**SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY**

For the Year Ended June 30, 2005

Function and Activity	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
General government administration:				
General and financial administration	\$ 1,263,054	\$ 126,405	\$ 240,490	\$ 1,148,969
Board of Elections	12,021	-	12,021	-
Social services building	536,926	-	15,770	521,156
Public safety:				
Law enforcement and traffic control	401,517	559,877	426,458	534,936
Fire and rescue services	1,776,072	301,692	441,440	1,636,324
Corrections and detention	10,239,848	-	310,151	9,929,697
Inspections and other	137,001	-	4,150	132,851
Public works:				
Airport	7,988,157	-	195,637	7,792,520
General	1,065,979	-	127,324	938,655
Maintenance of highways, streets and bridges	14,788,607	499,005	1,454,135	13,833,477
Health and welfare	754,233	-	129,150	625,083
Parks, recreation and cultural	5,055,096	355,521	229,034	5,181,583
Community development	27,293	-	-	27,293
General property	3,580,749	-	71,220	3,509,529
	47,626,553	1,842,500	3,656,980	45,812,073
Construction in progress	2,884,484	8,339,509	8,365,810	2,858,183
	50,511,037	10,182,009	12,022,790	48,670,256
Capital assets from Danville School Board	24,977,581	-	1,923,440	23,054,141
	\$ 75,488,618	\$ 10,182,009	\$ 13,946,230	\$ 71,724,397

\* All totals are net of depreciation

**SCHEDULE OF CAPITAL ASSETS - BY SOURCE****June 30, 2005**

Land and land improvements	\$	6,712,815
Buildings		22,957,932
Infrastructure		2,432,849
Equipment		13,708,477
Construction in progress		<u>2,858,183</u>
	\$	<u>48,670,256</u>
Capital projects funds:		
General obligation bonds	\$	15,032,367
General appropriations		9,368,369
General fund revenues		14,676,099
Special revenue fund revenues		473,110
Federal grants		3,023,877
State grants		5,099,009
Contributions		<u>997,425</u>
		48,670,256
Danville School Board		<u>23,054,141</u>
	\$	<u>71,724,397</u>

\* All totals are net of depreciation



## STATISTICAL SECTION

**CITY OF DANVILLE  
GOVERNMENT-WIDE INFORMATION**

**DATE OF INCORPORATION**

Danville was founded in 1793 and chartered in 1830.

**AREA OF CITY**

The City of Danville covers an area of approximately 44 square miles. This includes approximately 26.83 square miles annexed into the City on January 1, 1988.

**POPULATION**

United States Census	1970	46,398
United States Census	1980	45,642
United States Census	1990	53,056
United States Census	2000	48,411
United States Census	2001	48,411
United States Census	2002	48,411
United States Census	2003	48,411
United States Census	2004	46,600
United States Census	2005	45,900

**FORM OF GOVERNMENT**

Danville has a Council-City Manager form of Government. City Council is comprised of nine members who are elected at large to serve four-year terms. The elections are held biennially with five members being elected in one biennium and four in the next. Members of Council elect the Mayor and Vice-Mayor from the Council membership.

**FISCAL YEAR**

Begins July 1 and ends the following June 30.

**BUDGET**

Under provisions of the City Charter, the City Manager must submit his budget to City Council no later than April 1, for the next succeeding year. Council, after public hearings, may insert new items of expenditures or may increase, decrease, or strike out items of expenditures, other than debt service or items required by Charter or other provisions of Law. Council prior to the end of each fiscal year must adopt a balanced budget for the ensuing year.

**ASSESSMENTS**

Real Estate is assessed annually at "fair market value" by the City Assessor of Real Estate. This value is currently estimated to be 90% of recorded sales.

Tangible Personal Property and Machinery Used for Manufacturing are assessed by the Commissioner of Revenue (A State Official) as required by State Code.

**TAX RATES**

Real Estate:

\$0.77 Per \$100 of Assessed Value-2005  
\$0.80 Per \$100 of Assessed Value-2004  
\$0.80 Per \$100 of Assessed Value-2003  
\$0.80 Per \$100 of Assessed Value-2002  
\$0.785 Per \$100 of Assessed Value-2001  
\$0.8125 Per \$100 of Assessed Value-2000  
\$0.79 Per \$100 of Assessed Value-1999  
\$0.71 Per \$100 of Assessed Value-1998  
\$0.68 Per \$100 of Assessed Value-1997  
\$0.75 Per \$100 of Assessed Value-1996  
\$0.76 Per \$100 of Assessed Value-1995  
\$0.735 Per \$100 of Assessed Value-1994

## CITY OF DANVILLE

### Tangible Personal Property:

\$3.00 Per \$100 of Assessed Value-1971-2004

### Aircraft:

\$0.30 Per \$100 of Assessed Value 2001-2004

### Mobile Homes:

Taxed at the Real Estate rate

### Machinery Used for Manufacturing:

\$1.50 Per \$100 of Assessed Value-1987-2004

\$3.00 Per \$100 of Assessed Value 1971-1986

### Business and Professional License:

#### Wholesale Merchants:

\$50 if Gross Purchases are less than \$100M

\$0.15 Per \$100 of Gross Purchases if Gross Purchases exceed \$100M

#### Retail Merchants:

\$50 if Gross Receipts are less than \$100M

\$0.20 Per \$100 of Gross Receipts if they exceed \$100M

#### Professional Occupations:

\$50 if Gross Receipts are less than \$100M

\$0.58 Per \$100 of Gross Receipts if they exceed \$100M

#### Services:

\$50 if Gross Receipts are less than \$100M

\$0.36 Per \$100 of Gross Receipts if they exceed \$100M

#### Contractors:

\$50 if Gross Receipts are less than \$100M

\$0.16 Per \$100 of Gross Receipts if they exceed \$100M

#### Motor Vehicles License:

Private passenger vehicles-\$25

Trucks-Rates graduated in accordance with gross weight

Minimum rate \$25; maximum rate \$175

### Bank Franchise Tax:

\$0.80 on each \$100 of taxable value-1979-2004

\$0.40 on each \$100 of taxable value-1971-1978

### Sales and Use Tax:

4% State and 1% Local

### Lodging Tax:

A tax of 3% of the charge made for each room rented in a hotel or motel

### Meals Tax:

A tax of 4.5% on prepared foods

### Telephone Tax:

Residential - 20% of first \$15.00 of charge for local service

Business - 20% of first \$200.00 of charge for local service

Cellular - 10% on first \$30.00 of charges

E-911-Service - \$2.65 per line



## CITY OF DANVILLE

### Gross Receipts Tax:

1/2 of 1% gross receipts of telephone and telegraph companies (excluding charges for long distance calls), accruing from business in the City.

### Utility Consumption Tax - Effective February 1, 2004:

#### Monthly application rates on Electric consumption

0 - 2,500 kWh @ the rate of \$0.00155 per kWh

State consumption rate:	Special regulatory rate:	Local consumption rate:
\$0.00102/kWh	\$0.00008/kWh	\$0.00038/kWh

2,501 - 50,000 kWh @ the rate of \$0 .00099

State consumption rate:	Special regulatory rate:	Local consumption rate:
\$0.00065/kWh	\$0.00005/kWh	\$0.00024/kWh

Excess of 50,000 kWh \$0.0075

State consumption rate:	Special regulatory rate:	Local consumption rate:
\$0.00050/kWh	\$0.00003/kWh	\$0.00018/kWh

Monthly Application Rates on Natural Gas consumption  
(see Section 58.1 2904 of the Virginia State Code)

### Electric and Natural Gas Utility Consumer Tax Effective January 1, 2001:

#### Monthly Electric Application Rates:

##### Residential Consumer

\$0.27 plus \$0.0035 per kilowatt hours (kWh)

Maximum tax per month \$0.90

##### Commercial Consumers

\$0.49 plus \$0.0037 per kWh on the first 1500 kWh

\$0.0036 per kWh on the next 1501 - 5000 kWh

\$0.0032 per kWh on the excess of kWh over 5000

Maximum tax per month \$30.00

##### Industrial Consumers

\$39.00 plus \$0.0019 on each kWh delivered

Maximum tax per month \$60.00

#### Monthly Natural Gas Application Rates:

##### Residential Consumers

\$0.27 plus \$0.0485 per hundred cubic feet (CCF)

Maximum tax per month \$0.90

##### Commercial Consumers

\$0.68 plus \$0.0446 per CCF on the first 100 CCF

plus \$0.044 per CCF in excess of 100 CCF delivered

Maximum tax per month \$30.00

##### Industrial Consumers

\$0.95 plus the rate of \$0.0455 per CCF for the first 1000 CCF delivered

plus \$0.0437 per CCF in excess of 1000 CCF delivered

Maximum tax per month \$60.00

## **CITY OF DANVILLE**

### **Daily Rental Property Tax:**

1% of gross proceeds from short-term rental of personal property (excludes personal property required to be licensed or registered with the Department of Motor Vehicles, the Department of Game and Inland Fisheries, or the Department of Aviation).

## **TAXES**

The tax year for Real Estate taxes begins July 1 and ends June 30. Taxes are assessed based on values as of July 1, the first day of the tax year. The tax is payable in two installments. The first half is due December 5 and the second half June 5.

The tax year for Tangible Personal Property, Machinery and Tools, and Mobile Homes begins January 1 and ends December 31. Taxes are assessed based on values as of January 1, the first day of the tax year. The tax is payable in two installments. The first half is due June 5 and the second half due December 5.

## **TAXES DELINQUENT**

Real Estate taxes and Personal Property taxes are reported as delinquent the day following the due date. Interest at the rate of 10% per annum is added to the delinquent tax.

## **CITY INDEBTEDNESS**

All indebtedness of the City of Danville, with the exception of Utility Revenue Bonds and Lease Revenue Obligations, is a direct obligation of the City and full faith and credit of the municipality are pledged for the payment of all its obligations. All bonds are issued in serial form.

Enterprise Funds and Internal Service Funds pay the principal and interest on General Obligation Bonds, Revenue Bonds, and Lease Purchase agreements, issued for their purposes, out of user fees. All other debt redemption and interest requirements are appropriated in the General Fund budget.

## **OVERLAPPING AREAS AND DEBT**

The City of Danville is autonomous and entirely independent of the county or any other political subdivision of the state, being a separate and distinct political unit.

It is not coterminous with, nor subject to any county or school district taxation, and is not liable for any indebtedness other than its own. It has the power to levy taxes on real estate and tangible personal property without limitation of rate or amount.

**CITY OF DANVILLE**  
**STATEMENT OF LEGAL DEBT MARGIN**  
**JUNE 30, 2005**

Debt Limits Per Constitution of Virginia - 10% Assessed		
Value of Real Estate at June 30, 2005 (\$1,864,447,500)		\$ 186,444,750
Deduct:	Gross Bonded Debt	\$ 74,427,543
Less:		
Bonds Issued Pursuant to Section 10, Article VII		
of the Constitution of Virginia:		
Revenue Bonds:		
Public Utility Revenue Bonds of 1993-94 (Lot 17)	\$ 221,250	
Public Utility Revenue Bonds of 1993-94	1,641,802	
Public Utility Revenue Bonds of 1994-95	158,324	
Public Utility Revenue Bonds of 1996-97	<u>4,968,940</u>	
		<u>6,990,316</u>
Net Debt Applicable Against Limit		<u>67,437,227</u>
Legal Debt Margin June 30, 2005		<u>\$ 119,007,523</u>

**DEBT HISTORY**

The City of Danville has never defaulted in the payment of any part of either principal or interest on any debt.

**CREDIT RATING**

Moody's Investor's Service, Inc.....A3

**LEGAL OPINION ON INDEBTEDNESS**

Furnished by Messrs. Hunton & Williams, Richmond, Virginia

CITY OF DANVILLE

RATIO OF BONDED DEBT TO ASSESSED VALUES AND BONDED DEBT PER CAPITA

FOR THE LAST TEN YEARS

Fiscal Year Ended June 30	Population	Assessed Value	Bonded Debt		Ratio of Bonded Debt To Assessed Value		Bo
			General Fund Supported	Self- Sustaining Utilities	General Fund Supported	Self- Sustaining Utilities	
1996	52,800	1,217,567,100	41,573,219	48,899,988	2.66	3.13	787
1997	52,300	1,420,039,400	40,830,877	51,648,048	2.30	2.91	780
1998	51,700	1,449,210,900	41,954,058	56,739,963	2.31	3.13	811
1999	50,100	1,506,914,200	39,882,939	61,053,672	2.65	4.05	796
2000	48,411	1,528,359,100	37,130,303	57,246,441	2.43	3.75	766
2001	48,411	1,574,720,000	34,189,347	53,407,609	2.17	3.39	706
2002	48,411	1,593,365,800	46,081,284	49,910,417	2.89	3.13	951
2003	48,411	1,740,967,100	42,352,275	45,840,192	2.43	2.63	874
2004	46,600	1,765,839,000	39,269,396	42,710,311	2.22	2.42	842
2005	45,900	1,864,447,500	35,666,775	38,760,768	1.91	2.08	777

Note: The above bonded debt excludes Lease Revenue Bonds and Capital Leases for equipment and other obligations which are subject to appropriation of funds by City Council for payment of debt service.

**CITY OF DANVILLE**

**RATIO OF DEBT SERVICE TO TOTAL GENERAL FUND**

**EXPENDITURES AND TRANSFERS FOR THE LAST TEN YEARS**

Fiscal Year Ended June 30	General Fund Expenditures and Transfers (1)	Debt Service		Percentage of Debt Service to Total Expenditures and Transfers	
		General Fund Supported (2)	Self-Sustaining Utilities (3)	General Fund Supported	Self-Sustaining Utilities
1996	61,220,056	5,462,840	6,082,861	8.92	9.94
1997	66,319,814	5,620,633	5,442,920	8.48	8.21
1998	68,003,365	6,075,558	5,719,949	8.93	8.41
1999	72,131,462	6,878,652	6,109,656	9.54	8.47
2000	73,077,998	7,885,735	7,069,150	10.79	9.67
2001	77,677,281	8,315,579	6,781,687	10.71	8.73
2002	79,874,582	18,883,265	6,523,293	23.64	8.17
2003	84,131,702	9,092,451	6,481,914	10.81	7.70
2004	94,034,839	11,447,724	5,869,432	12.17	6.24
2005	87,105,204	8,009,216	5,813,723	9.19	6.67

(1) Includes General Fund, Danville School Board, Danville Development Council, and Transfers Out.

(2) Includes tax supported bonds, school bonds, reimbursables, leases, notes, and long-term debt.

(3) Includes utility supported bonds, reimbursables, leases, notes, and long-term debt.

**CITY OF DANVILLE**

**COMPARATIVE STATEMENT OF BONDED DEBT**

**FOR THE LAST TEN YEARS**

Fiscal Year Ended June 30	Bonded Debt at Beginning of Year	Bonds Issued In Year	Bonds Retired In Year	Bonded Debt at End of Year
1996	87,156,163	7,868,982	4,551,938	90,473,207
1997	90,473,207	6,553,858	4,548,140	92,478,925
1998	92,478,925	19,035,000	12,819,903	98,694,022
1999	98,694,022	8,119,683	5,877,094	100,936,611
2000	100,936,611	-	6,620,967	94,376,744
2001	94,376,744	-	6,840,888	87,596,956
2002	87,596,956	31,182,520	22,787,775	95,991,701
2003	95,991,701	-	7,799,234	88,192,466
2004	88,192,466	23,490,000	29,702,759	81,979,707
2005	81,979,707	-	26,605,118	74,427,543

Note: The above bonded debt excludes Lease Revenue Bonds and Capital Leases for equipment and other obligations which are subject to appropriation of funds by City Council for payment of debt service.

# DEBT SERVICE REQUIREMENTS

BASED ON BONDED DEBT OBLIGATIONS OUTSTANDING AT JUNE 30, 2005

Year Ending June 30	Lease Revenue Bonds				General Obligation Bonds				Revenue Bonds				Total	
	General Fund		Interest	Principal	General Fund		Interest	Principal	Proprietary		Interest	Principal	Principal	Interest
	Principal	Interest			Principal	Interest			Principal	Interest				
2006	794,059	602,612	452,811	1,569,949	1,990,855	1,010,528	3,568,909	1,218,003	640,388	267,776	8,564,161	3,551,730	8,564,161	3,551,730
2007	817,871	563,923	401,001	1,601,062	2,016,816	932,363	3,638,110	1,096,396	641,355	242,102	8,715,213	3,235,785	8,715,213	3,235,785
2008	835,961	525,218	346,945	1,624,787	2,044,028	856,757	3,698,824	970,262	575,026	216,425	8,778,626	2,915,607	8,778,626	2,915,607
2009	858,350	481,429	290,464	1,643,379	2,105,313	773,004	3,764,512	837,242	557,658	194,366	8,929,212	2,576,505	8,929,212	2,576,505
2010	883,836	438,470	231,975	1,475,205	1,990,964	685,290	3,488,882	697,915	564,259	173,348	8,403,146	2,226,998	8,403,146	2,226,998
2011	910,834	393,222	177,957	1,205,597	1,806,172	599,699	3,075,127	567,677	571,087	152,103	7,568,817	1,890,658	7,568,817	1,890,658
2012	938,233	347,073	125,794	992,218	1,842,006	515,359	2,690,177	438,310	578,148	130,624	7,040,782	1,557,160	7,040,782	1,557,160
2013	971,586	298,593	82,479	778,071	1,698,126	431,541	2,305,911	323,675	585,451	108,903	6,339,144	1,245,191	6,339,144	1,245,191
2014	767,818	247,360	53,296	569,699	1,715,748	346,160	1,926,083	231,952	593,005	86,932	5,572,353	965,701	5,572,353	965,701
2015	788,703	207,351	28,960	367,351	789,057	282,777	1,480,038	148,843	365,000	66,516	3,790,148	734,447	3,790,148	734,447
2016	810,100	166,079	16,998	191,477	773,149	243,326	927,253	96,881	365,000	52,098	3,066,979	575,382	3,066,979	575,382
2017	833,576	122,728	8,803	118,663	772,571	203,888	636,626	56,219	365,000	37,681	2,726,437	429,318	2,726,437	429,318
2018	858,024	79,061	3,673	57,500	774,417	164,361	392,500	27,793	365,000	23,263	2,447,441	298,151	2,447,441	298,151
2019	508,546	34,320	836	17,500	776,576	124,593	177,500	8,521	223,940	8,846	1,704,063	177,116	1,704,063	177,116
2020	264,492	6,902	-	-	779,374	84,689	-	-	-	-	1,043,866	91,591	1,043,866	91,591
2021	-	-	-	-	786,056	52,631	-	-	-	-	786,056	52,631	786,056	52,631
2022	-	-	-	-	793,088	20,224	-	-	-	-	793,088	20,224	793,088	20,224
	<u>\$ 11,841,989</u>	<u>\$ 4,514,340</u>	<u>\$ 2,221,993</u>	<u>\$ 12,212,458</u>	<u>\$ 23,454,316</u>	<u>\$ 7,327,190</u>	<u>\$ 31,770,453</u>	<u>\$ 6,719,688</u>	<u>\$ 6,990,317</u>	<u>\$ 1,760,983</u>	<u>\$ 86,269,531</u>	<u>\$ 22,544,194</u>	<u>\$ 86,269,531</u>	<u>\$ 22,544,194</u>

# DEBT SERVICE REQUIREMENTS

BASED ON LEASE REVENUE OBLIGATIONS OUTSTANDING AT JUNE 30, 2005

Year Ending June 30	HUD-Section 108		Obligations		Reimbursable Agreements		School Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	200,000	40,390	-	-	342,495	-	144,392	13,318	686,887	53,708
2007	200,000	28,970	-	-	321,046	-	150,905	6,806	671,951	35,776
2008	200,000	17,440	-	-	270,519	-	-	-	470,519	17,440
2009	200,000	5,830	-	-	196,732	-	-	-	396,732	5,830
2010	-	-	-	-	196,732	-	-	-	196,732	-
2011	-	-	-	-	125,899	-	-	-	125,899	-
2012	-	-	-	-	-	-	-	-	-	-
	<u>\$ 800,000</u>	<u>\$ 92,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,453,424</u>	<u>\$ -</u>	<u>\$ 295,297</u>	<u>\$ 20,124</u>	<u>\$ 2,548,721</u>	<u>\$ 112,754</u>

CITY OF DANVILLE  
SCHEDULE OF UTILITY REVENUE BOND COVERAGE  
FOR THE LAST TEN YEARS

Fiscal Year Ended June 30	Gross Revenue(1)	Direct Operating Expenses(2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
1996	86,729,059	62,741,136	23,987,923	365,637	256,022	621,659	38.59
1997	85,642,708	60,937,371	24,705,337	380,312	247,306	627,618	39.36
1998	87,507,709	62,278,166	25,229,543	386,507	276,823	663,330	38.03
1999	* 87,787,010	58,712,636	29,074,374 *	395,421	213,490	608,911	47.75
2000	93,589,661	63,683,390	29,906,271	772,063	683,601	1,455,664	20.54
2001	110,711,610	77,683,958	33,027,652	781,443	479,267	1,260,710	26.20
2002	94,938,429	65,790,877	29,147,553	793,573	444,553	1,238,126	23.54
2003	99,876,892	68,128,146	31,748,746	808,462	406,581	1,215,043	26.13
2004	93,618,466	64,551,919	29,066,547	628,232	345,917	974,149	29.84
2005	91,551,655	64,946,537	26,605,118	638,369	293,344	931,713	28.56

(1) Total revenue includes interest earned and other miscellaneous revenues.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the utility funds.

\* 98-99 Net Revenue Available for Debt Service does not include Recoveries and Rebates of \$6,074.55 for Water, \$998,153.70 for Gas, and \$5,405,380.36 for Power and Light.



**CITY OF DANVILLE**  
**SCHEDULE CONCERNING REAL PROPERTY TAX LEVIES**  
**AND COLLECTIONS FOR THE LAST TEN YEARS**

Year	Tax Rate Per \$100	Original Levy	Collections & Adjustments Thru End of Month in which 2nd Half Tax Due	Uncollected at End of Month in which 2nd Half Tax Due	Percentage of Original Levy Uncollected at End of Month in which 2nd Half Tax Due	Collections & Adjustments After Month in which 2nd Half Tax Due	Uncollected Balance June 30, 2005	Percentage of Original Levy Uncollected June 30, 2005
1995-96	0.75	\$ 9,131,753	\$ 8,726,235	\$ 405,518	4.44	\$ 386,618	\$ 18,900	0.21
1996-97	0.68	9,656,268	9,217,042	439,226	4.55	417,109	22,117	0.23
1997-98	0.71	10,289,397	9,836,862	452,535	4.40	422,901	29,634	0.29
1998-99	0.79	11,942,326	11,332,892	609,434	5.10	569,456	39,978	0.33
1999-00	0.8125	12,417,949	11,763,590	654,359	5.27	601,029	53,330	0.43
2000-01	0.785	12,361,615	11,646,307	715,308	5.79	631,906	83,402	0.67
2001-02	0.8	12,507,984	11,779,079	728,905	5.83	597,915	130,990	1.05
2002-03	0.8	13,927,737	13,103,406	824,331	5.92	620,576	203,755	1.46
2003-04	0.8	14,126,712	13,185,128	941,584	6.67	592,861	348,723	2.47
2004-05	0.77	14,356,246	13,540,558	815,688	5.68	-	815,688	5.68

(1) Taxes assessed on fiscal year basis; Due Dates - 1st half December 5th - 2nd half June 5 each year; Collections through June 30 each year.

**CITY OF DANVILLE**  
**SCHEDULE CONCERNING PERSONAL PROPERTY TAX LEVIES**  
**AND COLLECTIONS FOR THE LAST TEN YEARS**

Year	Tax Rate Per \$100	Levy (1)	Collections & Adjustments Thru End of Month in which 2nd Half Tax Due	Uncollected at End of Month in which 2nd Half Tax Due	Percentage of Original Levy Uncollected at End of Month in which 2nd Half Tax Due	Collections & Adjustments After Month in which 2nd Half Tax Due	Uncollected Balance June 30, 2005	Percentage of Original Levy Uncollected June 30, 2005
1995-96	\$3.00	\$ 7,596,065	\$ 7,304,303	\$ 291,762	3.84 %	\$ 291,762	\$ -	-
1996-97	3.00	8,076,695	7,742,911	333,784	4.13	333,784	-	-
1997-98	3.00	8,153,043	7,806,225	346,818	4.25	346,818	-	-
1998(6mos)	3.00	4,055,489	3,912,563	142,926	3.52	142,926	-	-
1999	3.00	8,535,512	8,297,196	238,316 (3)	2.79 (3)	238,316	-	-
2000	3.00	9,063,512	8,799,350	264,162 (3)	2.91 (3)	183,162	81,000	0.89
2001	3.00	9,386,391	9,113,208	273,183 (3)	2.91 (3)	155,799	117,384	1.25
2002	3.00	9,283,231	9,052,351	230,880 (3)	2.49 (3)	122,523	108,357	1.17
2003	3.00	9,227,252	9,034,063	193,189 (3)	2.09 (3)	81,084	112,105	1.21
2004	3.00	8,897,075	8,259,740	637,335 (3)	7.16 (3)	-	637,335	7.16
2005	3.00	9,112,715	4,536,134	4,576,581 (4)	50.22 (4)	-	4,576,581	50.22

(1) Personal property taxes were levied on a fiscal year basis beginning July 1 until July 1, 1998. On July 1, 1998, the City levied personal property taxes for a six-month period ending on December 31, 1998. Beginning on January 1, 1999, the City has levied taxes on a calendar year basis.

(2) According to state law uncollected personal property taxes are collectible five years following the year of levy.

(3) Personal property tax uncollected reported as of June 30 of subsequent fiscal year.

(4) This includes second half of the tax levy which is not due until December 5, 2005.

**CITY OF DANVILLE**  
**REAL PROPERTY VALUES, CONSTRUCTION, AND BANK DEPOSITS**  
**FOR THE LAST TEN YEARS**

<u>Year</u>	<u>Assessed Value</u>	<u>Sales Ratio (1)</u>	<u>Estimated Actual Values</u>	<u>Construction (2)</u>	<u>Bank Deposits (3)</u>
1995-96	\$1,217,567,100	77.0	\$1,641,928,291	\$59,569,043	\$1,093,000,000
1996-97	1,420,039,400	89.0	1,644,096,201	32,277,593	1,099,000,000
1997-98	1,499,210,900	86.0	1,743,058,467	47,006,661	1,227,000,000
1998-99	1,506,914,200	88.6	1,508,331,800	37,048,871	1,247,000,000
1999-00	1,528,359,100	86.2	1,529,776,700	55,105,409	1,275,000,000
2000-01	1,574,720,000	89.5	1,576,109,700	49,474,444	1,392,000,000
2001-02	1,593,365,800	85.7	1,594,759,000	32,155,050	1,388,000,000
2002-03	1,740,967,100	88.3	1,742,325,000	61,056,347	1,412,000,000
2003-04	1,765,839,000	85.7 (est.)	1,912,403,637	35,487,014	1,392,000,000
2004-05	1,864,447,500	89.6 (est.)	2,058,350,040	60,937,924	Not Available

(1) Source: Assessment/sales ratio for year 2000-01 thru 2004-05 are estimates made by the City.  
Actuals are published by the Virginia Department of Taxation - Assessment Sales Ratio Studies

(2) Source: Inspection Division, Department of Engineering, City of Danville.

(3) Source: Financial Institutions Data Exchange, University of Virginia.

**CITY OF DANVILLE**  
**SCHEDULE OF PRINCIPAL REAL ESTATE TAXPAYERS**  
**2004-05 ASSESSED VALUES AS OF JUNE 30, 2005**

	<u>Type of Business</u>	<u>Assessed Value</u>	<u>% of Total Assessed Value<sup>1</sup></u>
Danville Regional Medical Center LLC	Medical Facility	\$64,649,000	3.47%
Dan River Inc.	Textile Manufacturing	47,480,400	2.55
Goodyear Tire and Rubber Company	Tire Manufacturing	32,478,200	1.74
Piedmont Mall LLC	Retail Leasing	22,646,900	1.21
Daniel Group Inc.	Construction	17,004,100	0.91
Southern Processors Inc.	Tobacco Processing	16,023,300	0.86
Dibrell Brothers Inc.	Tobacco Processing	11,355,800	0.61
Nestle USA Inc.	Wholesale Food Processor	9,807,500	0.53
MJRW Inc.	Retail Leasing	9,321,600	0.50
Wal-Mart Real Estate Business Trust	Retail Leasing	8,702,300	0.47
Lorillard Tobacco Company	Tobacco Processing	8,666,800	0.46
Riverside Shopping Center LP	Retail Leasing	8,429,300	0.45
Finlay Interests 5 LTD <sup>2</sup>	Housing Facility	7,677,200	0.41
Belk Stores of Virginia	Retail Leasing	7,443,800	0.40
Medical Facilities of America XXII	Nursing Home Facilities	7,327,800	0.39
		<u>\$ 279,014,000</u>	<u>14.96%</u>

<sup>1</sup> Total Assessed Real Estate Value is \$1,864,447,500 for the City of Danville.

<sup>2</sup> Finlay Interests 5 Ltd qualifies under the City's Rehabilitated Tax Abatement Program. The Real Estate Taxes will be based on only \$285,500 of the total assessed value.

**CITY OF DANVILLE**  
**SCHEDULE OF ASSESSED PROPERTY VALUES**  
**FOR THE LAST TEN YEARS**

Fiscal Year	Assessed Value of Real Property (1)	Assessed Value of Personal Property (2)	Assessed Value of Machinery and Tools (2)	Assessed Value of Mobile Homes (2)	Assessed Value of Public Service Corp. (2)	Assessed Value of Aircraft (2)	Total Assessed Value
1995-96	1,217,567,100	209,806,680	76,454,724	4,831,153	46,970,708	-	1,555,630,365
1996-97	1,420,039,400	224,838,545	77,678,716	5,539,044	43,522,203	-	1,771,617,908
1997-98	1,449,210,900	228,470,573	71,928,832	5,863,314	50,132,687	-	1,805,606,306
1998-99	1,506,914,200	245,169,049	73,840,040	5,498,338	43,335,538	-	1,874,757,165
1999-00	1,528,359,100	260,131,562	77,644,461	5,310,500	52,557,772	-	1,924,003,395
2000-01	1,574,720,000	265,599,262	91,355,628	5,351,056	52,559,426	-	1,989,585,372
2001-02	1,593,365,800	260,503,705	93,412,803	5,207,888	51,751,357	2,429,800	2,006,671,353
2002-03	1,740,967,100	257,461,270	94,486,913	4,663,036	51,413,068	3,869,920	2,152,871,307
2003-04	1,765,839,000	246,282,106	97,002,334	5,055,627	54,285,263	5,165,235	2,173,629,565
2004-05	1,864,447,500	257,033,492	90,504,892	4,977,283	52,021,885	4,306,540	2,273,291,592

(1) Assessed on a fiscal year basis.

(2) Assessed on a calendar year basis.

City of Danville  
Schedule Of General Fund Revenues And Other Sources  
For The Last Ten Years

SOURCE	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Revenues</b>										
General Property Taxes	\$ 16,960,875	\$ 17,957,517	\$ 18,785,954	\$ 20,453,283	\$ 19,965,645	\$ 19,453,031	\$ 19,346,304	\$ 24,045,407	\$ 23,289,443	\$ 24,540,038
Other Local Taxes	13,282,907	13,952,664	14,589,070	17,194,067	18,144,729	18,916,007	18,972,645	19,316,285	20,358,825	21,258,467
Permits, Privilege Fees, and Regulatory	227,720	208,323	201,598	217,132	201,467	208,934	189,514	221,100	189,405	430,796
Fines and Forfeitures	707,495	680,116	716,345	842,379	566,199	536,455	526,315	480,224	487,400	239,617
Revenues From Use of Money and Prop.	1,334,683	1,304,062	1,333,906	1,239,316	1,494,335	2,027,052	1,753,093	1,648,139	651,688	1,076,782
Charges and Services	2,801,803	3,188,912	3,276,103	3,015,196	3,498,572	4,251,374	4,827,539	4,573,521	3,555,551	3,689,094
Miscellaneous	409,855	1,031,750	438,685	429,603	491,948	113,279	87,827	62,259	58,097	34,117
Recovered Costs	1,750,270	2,066,779	2,352,554	2,575,405	2,416,615	2,585,748	3,368,935	3,688,855	4,129,121	4,032,607
Intergovernmental	12,424,525	13,871,525	14,566,549	15,415,028	19,080,376	21,149,256	21,796,478	18,468,572	20,744,275	21,594,671
Total Revenue	49,900,133	54,261,648	56,260,764	61,381,409	65,859,886	69,241,136	70,868,650	72,504,362	73,463,805	76,886,189
<b>Other Sources</b>										
Proceeds Long-term Cap.-Related Debt		773,177	601,337						8,647,271	
Proceeds from Refunding Bonds Issued						41,525			23,490,000	
Interest Income/Change in Market Value										
Operating Transfers In	10,521,006	10,698,109	10,863,543	11,586,137	11,078,332	10,842,434	10,787,473	10,765,091	11,035,895	10,985,895
Total Revenue and Other Sources	\$ 60,421,139	\$ 65,732,934	\$ 67,725,644	\$ 72,967,546	\$ 76,938,218	\$ 80,125,095	\$ 81,656,123	\$ 83,269,453	\$ 116,636,971	\$ 87,872,084

City Of Danville  
Schedule Of General Fund Expenditures And Other Uses  
For The Last Ten Years

FUNCTION	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Expenditures</b>										
General Government Administration	\$ 4,069,422	\$ 4,952,524	\$ 4,309,596	\$ 4,794,183	\$ 4,540,097	\$ 4,774,011	\$ 4,860,476	\$ 5,055,245	\$ 5,121,782	\$ 5,808,408
Judicial Administration	2,641,287	2,705,652	2,852,374	3,196,888	3,730,782	3,969,829	4,120,979	4,057,946	4,188,488	4,358,866
Public Safety	13,705,689	15,020,582	15,919,978	18,097,285	17,975,974	19,142,616	19,790,213	20,088,960	20,707,165	21,424,027
Public Works	7,019,771	7,773,797	7,538,708	7,373,750	7,589,539	8,564,507	8,541,164	9,494,587	9,225,555	10,321,419
Health and Welfare	4,864,001	5,397,702	5,841,979	6,515,013	6,637,230	6,973,647	7,298,722	7,346,039	7,749,689	8,094,776
Education	9,062	9,020	8,437	8,300	8,300	9,591	9,048	9,296	9,104	8,438
Parks and Recreation and Cultural	3,520,172	3,801,534	3,903,586	4,050,223	4,172,207	4,398,896	4,414,600	4,898,132	5,043,890	4,221,219
Community Development	351,257	363,600	338,474	386,785	463,017	702,660	801,509	959,301	1,007,444	1,053,311
Nondepartmental	1,565,837	2,116,473	2,408,743	1,623,659	1,411,473	2,613,717	3,030,177	4,320,956	3,356,058	3,861,787
Debt service										
Principal										
Interest/Other charges										
Total Expenditures	37,746,498	42,140,884	43,121,875	46,056,086	46,528,619	57,157,230	56,894,182	62,762,305	62,682,601	64,554,933
<b>Other Uses</b>										
Operating Transfers to Component Units	15,111,883	16,074,469	16,642,733	16,704,102	16,547,297	17,477,561	19,915,405	16,766,804	18,488,645	16,326,141
Operating Transfers Out	8,361,675	8,104,461	8,238,757	9,371,274	10,223,677	3,042,490	3,064,993	4,602,593	4,206,351	6,224,132
Payment to Bond Refunding Escrow Agent									32,147,294	
Total Expenditures and Other Uses	\$ 61,220,056	\$ 66,319,814	\$ 68,003,365	\$ 72,131,452	\$ 73,299,593	\$ 77,677,281	\$ 79,874,580	\$ 84,131,702	\$ 117,524,891	\$ 87,105,206

**City of Danville**  
**General Government Revenues and Other Sources**  
**For The Last Ten Years**

<u>SOURCE</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
<b>Revenues</b>										
General Property Taxes	\$16,960,875	\$17,957,517	\$18,785,954	\$20,453,283	\$19,965,645	\$19,453,031	\$19,346,304	\$24,045,407	\$23,289,443	\$24,540,038
Other Local Taxes	13,282,907	13,952,664	14,589,070	17,194,067	18,144,729	18,916,007	18,972,645	19,316,285	20,358,825	21,258,467
Permits & Privilege Fees and Regulatory	227,720	208,323	201,598	217,132	201,467	208,934	189,514	221,100	189,405	430,796
Fines and Forfeitures	707,495	680,116	716,345	842,379	566,199	536,455	526,315	480,224	487,400	239,617
Revenues From Use of Money and Property	1,334,683	1,304,062	1,581,933	1,453,863	1,721,660	2,736,538	2,311,815	1,826,965	678,063	1,185,015
Charges and Services	2,801,803	3,188,912	3,276,103	3,015,196	3,498,572	4,251,374	4,827,539	4,573,521	3,555,551	3,689,094
Miscellaneous	2,399,142	1,679,861	971,983	1,433,805	1,393,942	843,643	1,102,706	877,071	2,939,873	2,538,070
Recovered Costs	1,750,270	2,066,779	2,352,554	2,575,405	2,585,748	3,384,437	3,384,437	3,688,855	4,129,121	4,032,607
Intergovernmental	16,112,143	18,788,124	22,854,804	22,525,207	24,821,560	30,437,105	34,104,555	27,803,342	28,431,487	28,467,242
Perpetual Care						34,387				
<b>Total Revenue</b>	<b>55,577,038</b>	<b>59,826,358</b>	<b>65,330,344</b>	<b>69,710,337</b>	<b>72,730,389</b>	<b>80,003,222</b>	<b>84,765,830</b>	<b>82,832,770</b>	<b>84,059,168</b>	<b>86,380,946</b>
<b>Other Sources</b>										
Proceeds from Bonds and Capital Leases	1,700,000	2,073,177	17,202,215	734,964	10,000,000	10,000,000	17,491,369		8,647,271	
Proceeds of Long-term Capital-related Debt						240,772	10,263,909	15,238,926	23,490,000	17,088,419
Interest Income/Change in Market Value	10,521,006	10,698,109	10,863,543	11,586,137	20,836,539	13,523,636	13,782,769		15,086,333	
Proceeds from Refunding Bonds Issued										
Operating Transfers In										
<b>Total Revenue and Other Sources</b>	<b>\$67,798,044</b>	<b>\$72,597,644</b>	<b>\$93,396,102</b>	<b>\$82,031,438</b>	<b>\$103,566,928</b>	<b>\$103,767,630</b>	<b>\$126,303,877</b>	<b>\$98,071,696</b>	<b>\$131,282,772</b>	<b>\$103,449,365</b>

**City Of Danville**  
**General Government Expenditures and Other Uses**  
**For The Last Ten Years**

<u>FUNCTION</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2003-04</u>
<b>Expenditures</b>										
General Government Administration	\$4,069,422	\$4,952,524	\$4,309,596	\$4,794,183	\$4,540,097	\$4,774,011	\$4,860,476	\$5,055,245	\$5,121,782	\$5,815,842
Judicial Administration	2,662,032	2,745,064	2,881,956	3,216,683	3,771,364	4,038,651	4,200,274	4,123,767	4,242,578	4,409,910
Public Safety	13,878,528	15,242,287	16,278,531	18,751,450	18,479,294	19,588,854	20,304,556	20,482,466	21,402,431	22,182,965
Public Works	7,078,718	7,903,626	7,631,539	7,440,673	7,643,195	8,695,353	8,697,285	9,553,828	9,298,498	11,117,739
Health and Welfare	5,682,588	6,385,849	7,042,577	7,587,496	7,633,379	7,955,954	9,059,091	9,690,249	10,483,034	10,495,688
Education	9,062	9,020	8,437	8,300	8,300	9,591	9,048	9,296	9,104	8,438
Parks and Recreation and Cultural	3,838,938	4,125,944	4,227,739	4,444,792	4,535,493	4,776,271	4,807,819	5,249,673	5,509,938	4,833,862
Community Development	3,550,581	2,067,429	2,560,330	4,563,235	5,315,187	3,779,514	3,382,732	3,410,345	3,937,381	3,636,880
Nondepartmental	1,565,837	2,116,473	2,408,743	1,623,659	1,411,474	2,513,717	3,030,177	4,320,956	3,356,058	3,861,787
Capital Outlay	5,822,718	6,270,216	11,146,272	6,926,280	6,588,293	13,344,462	12,161,856	10,482,809	11,061,055	7,841,684
Debt Service	4,523,393	4,659,752	5,670,111	5,966,679	6,406,307	6,647,603	4,026,294	6,541,843	6,273,446	5,402,562
<b>Total Expenditures</b>	<b>52,681,817</b>	<b>56,478,184</b>	<b>64,165,931</b>	<b>65,323,430</b>	<b>66,333,573</b>	<b>76,222,981</b>	<b>74,539,608</b>	<b>78,920,477</b>	<b>80,695,305</b>	<b>79,607,357</b>
<b>Other Uses</b>										
Operating Transfers to Component Units	17,408,124	16,116,887	16,930,575	16,948,347	17,237,155	17,477,561	31,794,851	16,766,804	19,444,140	16,763,966
Operating Transfers Out	1,053,466	677,603	726,838	1,170,749	10,223,677	6,499,659	3,166,571	5,121,837	4,206,351	6,362,647
Payment to Refund Bond Escrow Agent			3,932,006			23,263,909			32,147,294	
<b>Total Expenditures and Other Uses</b>	<b>\$71,143,407</b>	<b>\$73,272,674</b>	<b>\$85,755,350</b>	<b>\$83,442,526</b>	<b>\$93,794,405</b>	<b>\$100,200,201</b>	<b>\$132,764,939</b>	<b>\$100,809,118</b>	<b>\$136,493,090</b>	<b>\$102,733,970</b>

**CITY OF DANVILLE  
DEMOGRAPHIC STATISTICS  
FOR THE LAST TEN YEARS**

<b>Year</b>	<b>Population (1)</b>	<b>Per Capita Income (2)</b>	<b>Median Age (3)</b>	<b>% of Population with Bachelor's Degree or Higher (4)</b>	<b>School Enrollment (5)</b>	<b>% Unemploy- ment Rate (6)</b>
1996	52,300	18,116	39.4	N/A	8,148	9.80
1997	52,300	19,046	39.7	N/A	8,308	10.10
1998	51,700	19,982	40.0	N/A	8,270	8.50
1999	50,100	19,936	N/A	N/A	8,130	7.40
2000	48,411	21,280	34.5	N/A	7,691	6.80
2001	48,411 est.	21,280	40.5	N/A	7,659	7.70
2002	48,411 est.	21,280 est.	40.5 est.	N/A	N/A	9.60
2003	48,411 est.	21,280 est.	40.1	5.3	7,668	10.90
2004	46,600 est.	21,280 est.	40.5	13.9	7,232	12.30
2005	45,900 est.	21,280 est.	40.5	13.9	7,114	10.80

(1) Source: 1995 through 1999, Weldon Cooper Center for Public Services, University of Virginia.  
2000 from U.S. Bureau of Census.  
2001-2005, Weldon Cooper Center for Public Services, University of Virginia.

(2) Source: Weldon Cooper Center for Public Service, University of Virginia.  
Data includes both the City of Danville and Pittsylvania County.

(3) Source: Weldon Cooper Center for Public Service, University of Virginia.  
2004 from U.S. Bureau of Census. No 2005 data available.

(4) Source: 2000 U.S. Census Bureau. Profile of Selected Social characteristics.  
Percent based on population 25 years and over.

(5) Source: 1994 through 2000, Danville City Schools.  
2001-2003 through National Center for Education Statistics.  
2004-2005 through Weldon Cooper Center for Public Services, University of Virginia.  
Includes Grades K-12.

(6) Source: Virginia Employment Commission, through June 2005.



**CITY OF DANVILLE**

**WASTEWATER SYSTEM**

**SUMMARY OF OPERATING REVENUE FOR THE LAST TEN YEARS**

<u>Year Ended June 30</u>	<u>Number of Customers</u>	<u>Sales</u>		<u>Other Operating Revenue</u>	<u>Total Operating Revenue</u>
		<u>Cubic Feet (1)</u>	<u>Amount</u>		
1996	16,841	546,855,880	6,566,498	110,111	6,676,609
1997	16,883	521,873,687	7,218,882	127,646	7,346,528
1998	16,853	503,971,407	7,490,342	122,776	7,613,118
1999	16,837	474,365,595	7,056,280	118,960	7,175,240
2000	16,944	469,659,507	7,353,389	163,329	7,516,718
2001	16,803	498,206,347	7,521,217	133,419	7,654,636
2002	16,859	481,723,733	7,039,433	227,788	7,267,221
2003	16,795	476,406,533	6,833,374	176,203	7,009,577
2004	16,825	390,926,667	6,467,763	450,739	6,918,502
2005	16,906	312,447,733	5,643,177	416,818	6,059,995

**CITY OF DANVILLE**

**WASTEWATER SYSTEM**

**SUMMARY OF OPERATIONS FOR THE LAST TEN YEARS**

<u>Year Ended June 30</u>	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Net Operating Revenue (Loss)</u>	<u>Other Income (Deductions)</u>	<u>Net Income (Loss)</u>
1996	6,676,609	5,249,095	1,427,514	(815,250)	612,264
1997	7,346,528	5,826,530	1,519,998	(658,389)	861,609
1998	7,613,118	5,753,638	1,859,480	(1,025,529)	833,951
1999	7,175,240	4,992,104	2,183,136	(777,591)	1,405,545
2000	7,516,719	4,890,031	2,626,688	(969,646)	1,657,042
2001	7,654,636	5,127,663	2,526,973	(739,602)	1,787,371
2002	7,267,221	5,219,168	2,048,053	(755,990)	1,292,063
2003	7,009,577	5,366,850	1,642,727	(725,826)	916,901
2004	6,918,502	5,451,981	1,466,521	(838,704)	627,817
2005	6,059,995	5,368,537	691,458	(771,982)	(80,524)

(1) The City does not have meters installed at customer locations to measure the flow of wastewater except for Dan River, Inc. and Pittsylvania County Service Authority where charges are made pursuant to specific contracts. With few exceptions, customers who do not have specific contracts receive both water and wastewater services and charges are based upon consumption registered on the water meter. City Council, by ordinance allocated 56% of jointly billed water and wastewater charges to the Wastewater System and the remaining 44% to the Water System.

**CITY OF DANVILLE**

**WATER SYSTEM**

**SUMMARY OF OPERATING REVENUE FOR THE LAST TEN YEARS**

<b>Year Ended June 30</b>	<b>Number of Customers</b>	<b>Sales</b>		<b>Other Operating Revenue</b>	<b>Total Operating Revenue</b>
		<b>Cubic Feet</b>	<b>Amount</b>		
1996	18,067	378,433,333	4,605,625	25,200	4,630,825
1997	18,112	362,948,000	5,129,584	20,489	5,150,073
1998	18,074	368,044,000	5,366,010	24,574	5,390,584
1999	18,079	350,741,900	5,516,912	42,568	5,559,480
2000	18,041	337,583,200	5,503,664	38,139	5,541,803
2001	17,990	320,176,500	5,464,491	92,787	5,557,278
2002	18,055	326,943,100	5,549,316	52,482	5,601,798
2003	17,954	306,803,200	5,335,093	53,851	5,388,944
2004	17,949	293,194,300	5,162,681	61,186	5,223,867
2005	17,956	267,151,900	5,026,410	48,916	5,075,326

**CITY OF DANVILLE**

**WATER SYSTEM**

**SUMMARY OF OPERATIONS FOR THE LAST TEN YEARS**

<b>Year Ended June 30</b>	<b>Operating Revenue</b>	<b>Operating Expenses</b>	<b>Net Operating Revenue (Loss)</b>	<b>Other Income (Deductions)</b>	<b>Net Income (Loss)</b>
1996	4,630,825	2,805,191	1,825,634	(498,026)	1,327,608
1997	5,150,073	3,023,003	2,127,070	(490,640)	1,636,430
1998	5,390,584	3,099,766	2,290,818	(556,032)	1,734,786
1999	5,559,480	3,157,736	2,401,744	(344,078)	2,057,666
2000	5,541,802	3,479,220	2,062,582	(296,658)	1,765,924
2001	5,557,279	3,514,932	2,042,347	(232,562)	1,809,785
2002	5,601,798	3,845,093	1,756,705	(334,269)	1,422,436
2003	5,388,944	3,557,901	1,831,043	(443,721)	1,387,322
2004	5,223,867	3,595,272	1,628,595	(466,940)	1,161,655
2005	5,075,326	3,954,668	1,120,658	(380,385)	740,273

**CITY OF DANVILLE**

**GAS SYSTEM**

**SUMMARY OF OPERATING REVENUE FOR THE LAST TEN YEARS**

<u>Year Ended June 30</u>	<u>Number of Customers</u>	<u>Sales</u>		<u>Other Operating Revenue</u>	<u>Total Operating Revenue</u>
		<u>Dekatherms</u>	<u>Amount</u>		
1996	16,366	7,075,725	26,476,322	90,779	26,567,101
1997	16,429	7,100,215	23,484,220	70,683	23,554,903
1998	16,417	6,770,185	23,252,399	76,266	23,328,665
1999	16,537	6,938,553	22,372,213	154,918	22,527,131
2000	16,565	7,625,324	26,006,986	90,991	26,097,977
2001	16,527	7,728,601	41,814,741	127,135	41,941,876
2002	16,440	6,923,969	27,413,738	95,875	27,509,613
2003	16,432	5,457,391	29,918,481	110,671	30,029,152
2004	16,284	3,821,326	25,907,110	92,361	25,999,471
2005	16,251	2,968,733	25,119,255	92,741	25,211,996

**CITY OF DANVILLE**

**GAS SYSTEM**

**SUMMARY OF OPERATIONS FOR THE LAST TEN YEARS**

<u>Year Ended June 30</u>	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Net Operating Revenue</u>	<u>Other Income (Deductions)</u>	<u>Net Income</u>
1996	26,567,101	21,328,265	5,238,836	298,551	5,537,387
1997	23,554,903	19,568,634	3,986,269	366,692	4,352,961
1998	23,328,665	19,198,027	4,130,638	413,246	4,543,884
1999	22,217,295	18,581,439	3,635,856	1,246,717	4,882,573
2000	26,097,977	23,362,465	2,735,512	421,813	3,157,325
2001	41,941,876	37,858,709	4,083,167	1,290,601	5,373,768
2002	27,509,613	25,322,265	2,187,348	446,687	2,634,035
2003	30,029,152	26,920,162	3,108,990	1,148,363	4,257,353
2004	25,999,471	22,555,069	3,444,402	151,215	3,595,617
2005	25,211,996	22,204,610	3,007,386	675,069	3,682,455

**CITY OF DANVILLE**

**ELECTRIC SYSTEM**

**SUMMARY OF OPERATING REVENUE FOR THE LAST TEN YEARS**

<b>Year Ended June 30</b>	<b>Number of Customers</b>	<b>Sales</b>		<b>Other Operating Revenue</b>	<b>Total Operating Revenue</b>
		<b>kWh</b>	<b>Amount</b>		
1996	46,910	865,262,905	46,854,524	487,627	47,342,151
1997	47,572	871,119,546	46,770,583	525,198	47,295,781
1998	47,862	900,297,083	48,574,311	499,556	49,073,867
1999	48,237	920,072,462	50,262,715	461,604	50,724,319
2000	48,707	942,938,761	51,396,944	488,704	51,885,648
2001	48,718	947,694,220	51,447,557	451,736	51,899,293
2002	49,057	958,666,775	51,277,269	495,281	51,772,550
2003	48,961	1,006,430,485	54,265,090	528,862	54,793,952
2004	49,075	1,007,329,001	54,951,676	539,583	55,491,259
2005	49,016	981,903,653	53,210,499	530,066	53,740,565

**CITY OF DANVILLE**

**ELECTRIC SYSTEM**

**SUMMARY OF OPERATIONS FOR THE LAST TEN YEARS**

<b>Year Ended June 30</b>	<b>Operating Revenue</b>	<b>Operating Expenses</b>	<b>Net Operating Revenue</b>	<b>Other Income (Deductions)</b>	<b>Net Income</b>
1996	47,342,151	37,064,799	10,277,352	183,909	10,461,261
1997	47,295,781	36,618,129	10,677,652	432,848	11,110,500
1998	49,073,867	38,530,930	10,542,937	270,851	10,813,788
1999	50,724,319	36,555,212	14,169,107	5,624,213	19,793,320
2000	51,885,648	36,804,127	15,081,521	3,502,544	18,584,065
2001	51,899,293	36,616,553	15,282,740	2,515,493	17,798,233
2002	51,772,550	37,212,477	14,560,073	852,385	15,412,458
2003	54,793,952	38,334,810	16,459,142	1,121,534	17,580,676
2004	55,491,259	39,540,282	15,950,977	120,949	16,071,926
2005	53,740,565	40,578,382	13,162,183	1,849,252	15,011,435

**CITY OF DANVILLE**

**WATER SYSTEM**

**DISTRIBUTION SYSTEM STATISTICS FOR THE LAST TEN YEARS**

<u>Year Ended June 30</u>	<u>Meters</u>	<u>Output (Gallons)</u>	<u>Miles of Mains</u>	<u>Fire Hydrants</u>
1996	18,686	2,838,249,998	297.91	1,807
1997	18,726	2,722,110,000	300.02	1,820
1998	18,726	2,760,330,000	302.56	1,836
1999	18,758	3,059,920,000	303.25	1,857
2000	18,746	2,952,500,000	307.27	1,878
2001	18,763	2,690,320,000	308.52	1,889
2002	18,781	2,821,510,000	309.39	1,902
2003	18,840	2,878,730,000	310.11	1,909
2004	18,840	2,752,750,000	311.99	1,930
2005	18,852	2,373,350,000	312.37	1,945

**CITY OF DANVILLE**

**GAS SYSTEM**

**DISTRIBUTION SYSTEM STATISTICS FOR THE LAST TEN YEARS**

<u>Year Ended June 30</u>	<u>Meters</u>	<u>Output (Dekatherms)</u>	<u>Miles of Mains</u>	<u>Drips</u>
1996	17,320	7,085,725	293.65	324
1997	17,361	7,153,676	299.14	324
1998	17,416	6,770,185	304.64	323
1999	17,506	6,938,553	306.14	321
2000	17,511	7,625,324	309.56	321
2001	17,500	7,728,601	311.33	316
2002	17,462	6,923,969	312.45	299
2003	17,463	5,457,391	314.15	299
2004	17,453	3,821,326	315.85	302
2005	17,365	2,968,733	315.67	302

**CITY OF DANVILLE**  
**WATER AND GAS SYSTEMS**  
**DISTRIBUTION STATISTICS - LENGTH OF PIPE**  
**JUNE 30, 2005**

<u>Size Inches</u>	<u>Water (Feet)</u>	<u>Gas (Feet)</u>
2" or less	84,708	533,163
over 2" thru 4"	42,236	466,839
over 4" thru 8"	1,073,111	503,523
over 8" thru 12"	341,656	161,978
over 12"	<u>107,603</u>	<u>1,258</u>
Total Feet	<u>1,649,314</u>	<u>1,666,761</u>
Total Miles	<u>312.37</u>	<u>315.67</u>

**CITY OF DANVILLE**

**ELECTRIC SYSTEM**

**DISTRIBUTION SYSTEM STATISTICS FOR THE LAST TEN YEARS**

<u>Year Ended June 30</u>	<u>Net kWh Generated</u>	<u>kWh Purchased</u>	<u>kWh Peak</u>	<u>Meters</u>	<u>Transformers</u>	<u>Street Lights</u>
1996	26,768,100	915,894,096	207,800	41,476	16,337	8,540
1997	37,279,760	894,616,341	195,600	41,852	16,615	8,562
1998	21,466,800	940,057,956	210,400	42,139	16,317	8,462
1999	14,845,700	968,575,112	219,846	42,033	16,683	8,541
2000	20,222,600	999,700,400	216,600	42,436	17,377	8,578
2001	13,601,150	996,978,864	217,400	42,457	17,696	8,378
2002	14,286,922	985,023,960	212,400	42,708	18,144	8,394
2003	28,854,300	1,038,535,848	235,800	42,639	18,240	8,407
2004	30,930,800	946,546,228	211,600	43,008	18,183	8,477
2005	80,455	1,028,570,280	211,000	43,313	18,386	8,703

<u>Year Ended June 30</u>	<u>Primary Wire (Feet)</u>	<u>Secondary Wire (Feet)</u>	<u>Services Wire (Feet)</u>	<u>Street Light Circuits Wire (Feet)</u>	<u>Number of Poles</u>	<u>Rural Lines (Miles)</u>
1996	19,795,267	10,700,266	19,661,512	1,415,252	52,843	1,317.0
1997	19,882,800	10,704,643	19,693,372	1,415,852	53,312	1,312.0
1998	19,998,623	10,710,434	19,727,902	1,416,450	54,110	1,329.5
1999	20,130,027	10,656,882	19,815,052	1,416,450	54,665	1,351.9
2000	20,293,316	10,443,744	19,936,082	1,417,265	55,347	1,378.9
2001	20,393,478	10,130,432	20,015,442	1,417,265	48,536	1,397.9
2002	20,493,640	9,978,476	20,087,202	1,417,265	48,968	1,416.9
2003	20,626,036	8,980,628	20,109,582	1,423,215	49,337	1,439.5
2004	20,714,771	8,973,628	20,137,362	1,425,315	49,891	1,455.8
2005	20,843,316	8,937,730	20,187,100	1,427,800	50,269	1,470.4

**CITY OF DANVILLE**

**SCHEDULE OF INSURANCE COVERAGE  
(Excluding Danville Public Schools)  
June 30, 2005**

Description	<u>Base Coverage</u>	<u>Umbrella</u>	<u>Total Amount of Insurance</u>
Property Insurance			
All risk coverage for City owned buildings and contents (\$10,000 deductible)	\$ 150,000,000		\$ 150,000,000
Flood (\$100,000 deductible)	5,000,000		5,000,000
Earthquake (\$100,000 deductible)	5,000,000		5,000,000
Contractors equipment valued over \$10,000			Actual Cash Value
Electronic Data Processing	6,000,000		6,000,000
Boiler and Machinery - per accident limit	10,000,000		10,000,000
Fleet Insurance (1)			
Liability	1,000,000	10,000,000	11,000,000
Comprehensive and collision on vehicles valued over \$100,000			Actual Cash Value
The City is self-insured on vehicles valued under \$100,000			
Comprehensive General Liability (1)			
Each occurrence	1,000,000	10,000,000	11,000,000
Aggregate	2,000,000	10,000,000	12,000,000
Public Officials Liability (1)	1,000,000	10,000,000	11,000,000
Law Enforcement (1)	1,000,000	10,000,000	11,000,000
Fidelity Bonds			
Honesty Blanket Bond - Police officers	25,000		25,000
Faithful Performance Blanket Bond - All employees except police officers	500,000		500,000
Position Bonds - Treasurer, Director of Central Collections and Director of Social Services	100,000		100,000
Money and Securities	500,000		500,000
Airport			
Bodily injury and property damage	20,000,000		20,000,000
Hangarkeepers' Liability	5,000,000		5,000,000
Fiduciary Liability - Employees' Retirement System	5,000,000		5,000,000
Workers' Compensation			Self-Insured
Public Officials Position Bonds (State provided)			
Treasurer	500,000		500,000
Commissioner of Revenue	3,000		3,000
Clerk of Circuit Court	103,000		103,000
Sheriff	30,000		30,000

NOTE: This schedule reflects information taken from the policies and pool agreements and does not purport to show all details of the Coverage or the adequacy thereof.

(1) Coverage is through the Virginia Municipal Liability Pool



**CITY OF DANVILLE**  
**DANVILLE PUBLIC SCHOOLS**  
**SCHEDULE OF INSURANCE COVERAGE**  
**June 30, 2005**

<u>Description</u>	<u>Amount of Insurance</u>
Package Policy:	
"All risk" of direct physical loss, subject to policy terms and conditions, 90% coinsurance, \$1,000 deductible, replacement cost coverage for buildings and contents, actual cash value for other items:	
Blanket - real and personal property	\$ 204,305,272
New buildings	1,000,000
In-transit	100,000
Comprehensive General Liability	
General aggregate limit	2,000,000
Personal injury, each occurrence	1,000,000
Medical payments per person	10,000
Fire legal liability, per occurrence	100,000
Business Automobile	
Bodily injury, property damage, and uninsured motorist	1,000,000
Medical payments per person	10,000
Uninsured motorists	1,000,000
Comprehensive, specific perils, and collision	1,000,000
Position Bonds	
Clerk of the Board	25,000
Deputy Clerk of the Board	25,000
Manager, Textbook Rental System	25,000
School Board Legal Liability	
Errors and omissions, defense costs (\$10,000 deductible)	2,000,000
Crime Coverage - All Locations	
Public school employee dishonesty coverage	250,000
Forgery or alteration	250,000
Theft, reappearance, and destruction	250,000
Umbrella Liability	
General and projects/completed operations; aggregate per occurrence limit	5,000,000
Workers' Compensation	500,000
Vocational students	
Real or alleged medical incidents	1,000,000
Employee benefits	1,000,000
Garage Policy	1,000,000

NOTE: The above insurance coverage is presented as additional information only and was not confirmed with the insurance carriers.

**CITY OF DANVILLE  
MISCELLANEOUS STATISTICS**

Date of Incorporation	1830
Form of Government	Council/Manager
Area in Square Miles	44
Number of Employees (Full & Part-Time)	1,173
Name of Government Facilities and Services:	
Miles of streets	315
Number of street lights	8,703
Culture and Recreation:	
Recreation centers	12
Number of parks/acreage	10 / 349 Acres
Number of trails/miles	8 / 17.75 Miles
Number of athletic fields/acreage	23 / 45 Acres
Number of playgrounds/acreage	24 / 88 Acres
Number of outdoor basketball courts	10
Number of tennis courts	19
Fire Protection:	
Number of stations	7
Number of fire personnel and officers	123
Number of calls answered	4,734
Number of inspections conducted	3,170
Police Protection:	
Number of stations	3
Number of police officers	137
Number of patrol units	12
Number of law violations:	
Physical arrests	7,075
Traffic violations	5,498
Parking violations	1,178
Sewerage System:	
Miles of sanitary sewers	384
Number of treatment plants	1
Number of service connections	16,883
Daily average treatment in gallons	10.54 MG
Maximum daily capacity of treatment plant in gallons	24 MGD
Water System:	
Miles of water mains	312.37
Active number of service connections	17,956
Number of fire hydrants	1,945
Daily average consumption in gallons	6.76 MGD
Maximum daily capacity of treatment plant in gallons	18 MGD
Electric Distribution System:	
Miles of service	500 Sq. Miles
Number of distribution stations	14
Facilities and services not included in the primary government:	
Education:	
Number of elementary schools	10
Number of middle schools	3
Number of high schools	2
Number of alternative schools	1
Number of elementary school instructors	276
Number of middle school instructors	136
Number of high school instructors	188
Facilities and services not included in the reporting entity:	
Hospitals:	
Number of hospitals	1
Number of patient beds	350



# SINGLE AUDIT

***Report On Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards***

The Honorable Mayor and Members of City Council  
*City of Danville, Virginia*

We have audited the financial statements of the *City of Danville, Virginia* as of and for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the *City of Danville, Virginia's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether *City of Danville, Virginia's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the *City of Danville, Virginia* in a separate letter dated August 26, 2005.

This report is intended solely for the information of the City Council, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Gordon & Company, LLP*

Danville, Virginia  
August 26, 2005

***Report on Compliance With  
Requirements Applicable to Each Major Program and On  
Internal Control Over Compliance in Accordance  
with OMB Circular A-133***

The Honorable Mayor and Members of City Council  
***City of Danville, Virginia***

***Compliance***

We have audited the compliance of the ***City of Danville, Virginia*** with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The ***City of Danville's*** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the management of the ***City of Danville***. Our responsibility is to express an opinion on the ***City of Danville's*** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the ***City of Danville's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the ***City of Danville's*** compliance with those requirements.

In our opinion, the City of Danville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

***Internal Control Over Compliance***

Management of the ***City of Danville*** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the ***City of Danville's*** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

This report is intended solely for the information of City Council, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Guzdmon & Company, LLP*

Danville, Virginia  
August 26, 2005

***Report on Compliance with the Commonwealth of  
Virginia's Laws, Regulations, Contracts and Grants***

To The Honorable Mayor and Members of City Council  
***City of Danville, Virginia***

We have audited the basic financial statements of the ***City of Danville, Virginia***, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with the Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the ***City of Danville, Virginia***, is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Enhanced 911 Services Tax
- Personal Property Tax Relief Act



State Agency Requirements

- Social Services
- Education
- Comprehensive Services Act Funds
- Highway Maintenance Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

This report is intended solely for the information of City Council, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Gordon & Company, LLP*

Danville, Virginia  
August 26, 2005

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
<b>CITY OF DANVILLE</b>		
<b>DEPARTMENT OF AGRICULTURE</b>		
Department of Social Services:		
Food stamps	10.551	\$ 396,572
State administrative matching grants for food stamp program	10.561	157,910
Department of Juvenile Justice		
School program	10.555	64,297
<b>DEPARTMENT OF FORESTRY</b>		
Direct payments:		
Forest land management	10.677	30,000
<b>DEPARTMENT OF ECONOMIC DEVELOPMENT ADMINISTRATION</b>		
Direct payments:		
Economic Development Initiative	11.300	375,655
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Direct payments:		
Community development block grant program and entitlement grants	14.218	1,495,042
HOME investment partnership program	14.239	215,701
CDBG/Brownfields Economic Development Initiative	* 14.246	542,211
<b>DEPARTMENT OF JUSTICE</b>		
Direct payments:		
Crime victim assistance	16.575	10,717
Local law enforcement block grant	16.592	20,985
<b>DEPARTMENT OF TRANSPORTATION</b>		
Direct payments:		
DMV grant	20.000	11,838
Airport improvements	20.106	224,038
Department of Conservation and Research	20.219	242,162
<b>THE LIBRARY OF VIRGINIA</b>		
Direct payments:		
LSCA Title II state library program	45.310	5,540
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>		
Department of Emergency Services		
Assistance to Firefighters	97.044	174,582
Emergency Management Preparedness Grant	* 97.042	543,915
Homeland Security Grant	97.067	99,557

(Continued on next page)

## CITY OF DANVILLE, VIRGINIA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Southern Area Agency on Aging:		
Special programs for the aging, Title III-D grants	93.043	3,616
Special programs for the aging, Title III-B grants	93.044	93,232
Department of Social Services:		
Temporary assistance for needy families	* 93.558	614,092
Low income energy assistance	93.568	46,605
Child care and development block grant	93.575	488,250
Refugee and entrant assistance	93.566	574
Department of Social Services:		
Child care and development fund	93.596	505,066
Foster care - Title IV-E	93.658	655,444
Adoption assistance	* 93.659	181,441
Social services block grant	93.667	528,009
Medicaid assistance program-Administrative expenses only	* 93.778	350,084
Department of Mental Health, Mental Retardation and Substance Abuse:		
Part C funds	* 84.181	127,662
Cooperative agreements for state treatment, outcomes, and performance pilot studies	93.230	102,768
Block grants for community mental health services	93.958	97,200
Block grants for prevention and treatment of substance abuse	* 93.959	774,419
Total assistance - City of Danville		\$ 9,179,184
<b><u>DANVILLE PUBLIC SCHOOLS</u></b>		
<b>DEPARTMENT OF AGRICULTURE</b>		
Department of Education:		
School breakfast program	* 10.553	\$ 496,111
National school lunch program	* 10.555	1,534,428
Department of Agriculture and Consumer Services		
Food distribution - donated commodities	10.555	195,394
<b>DEPARTMENT OF EDUCATION</b>		
Department of Education:		
Adult education - state administered basic grant program	* 84.002	143,095
Title I grants to local education agencies	* 84.010	2,682,394
Special education - grants to states	* 84.027	1,151,324

(Continued on next page)

## CITY OF DANVILLE, VIRGINIA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
<b>DEPARTMENT OF EDUCATION (cont.)</b>		
Vocational education - consumer and homemaking education	* 84.048	285,169
Magnet schools assistance	* 84.165	1,050,056
Special education - preschool grants	84.173	37,581
Safe and drug - free schools - state grants	84.186	26,588
Comprehensive school reform	84.332	97,003
Even start - state educational agency	* 84.213	178,370
Title IV innovative education program	84.298	63,982
Technology literacy challenge grant	84.318	40,454
Advanced placement incentive program	84.330	676
Title II - Teacher quality enhancement grant	84.336	20,787
Title I accountability grants	84.348	2,628,266
School renovation grants	* 84.352	235,150
English language acquisition grants	84.365	32,625
Improving teacher quality state grants	* 84.367	179,088
<b>OTHER FEDERAL PAYMENTS</b>		
Department of the Navy		
Naval Junior ROTC	11.UNK	59,202
Election Assistance Commission		
Voting machine implementation	90.401	7,434
Department of Health and Human Services		
Refugee & Entrant Assistance	93.576	1,907
Total assistance - Danville Public Schools		<u>\$ 11,147,084</u>
Total assistance - reporting entity		<u>\$ 20,326,268</u>

\* Denotes Major Program

**CITY OF DANVILLE, VIRGINIA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

---

**June 30, 2005**

---

***Summary of Significant Accounting Policies***

The accompanying Schedule of Expenditures is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the City's basic financial statements. However, due to the City's involvement in determining eligibility, they are considered federal awards to the City and are included on this schedule.

***Federal Cognizant Agency***

The Federal Cognizant Agency for the City of Danville, Virginia is the United States Department of Health and Human Services.

***Subrecipients***

The City provided the following amounts to subrecipients during FY 2003:

Program Title	CFDA	Amount
Special Programs for the Aging- Title III-F	93.043	\$ 3,616
Special Programs for the Aging- Title III-B	93.044	93,232
CDBG/Brownfields Economic Development Initiative	14.246	542,211
Economic Development Initiative	11.300	375,655

**CITY OF DANVILLE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

---

**Year Ended June 30, 2005**

---

**Summary of Auditor's Results:**

*Financial Statements*

The type of report issued on the financial statements: Unqualified

Internal control over financial reporting

- Material weaknesses identified: None
- No reportable conditions noted in internal control to disclose

Noncompliance material to the financial statements noted: None

*Federal Awards*

Internal control over major programs

- Material weaknesses identified: None reported
- No reportable conditions noted in internal control over major programs to disclose

The type of report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of

OMB Circular A-133: No

Major programs:

- Block grant for the Prevention and Treatment of substance abuse (93.959)
- Temporary assistance for needy families (93.558)
- School breakfast and lunch program (10.553 & 10.555)
- Title I (84.010)
- Special education – Grants to States (84.027)
- Emergency management preparedness grant (97.042)
- Adoption assistance (93.659)
- Medicaid assistance program (93.778)
- Adult Education (84.002)
- Part C funds (84.181)
- CDBG/Brownfields Economic Development Initiative (14.246)

Dollar threshold used to distinguish between Type A and Type B programs: \$609,788

Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133?: Yes

(Continued on next page)

**CITY OF DANVILLE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

---

**Year Ended June 30, 2005**

---

**FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS WHICH ARE REQUIRED TO  
BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL  
AUDITING STANDARDS**

None

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

No findings reported in the prior year.